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the end of this volume*

PROBLEMS OF PEACE

EIGHTH SERIES

LECTURES DELIVERED AT THE GENEVA INSTITUTE
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by

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INTRODUCTION

THIS volume contains the lectures delivered at the meeting of the Geneva Institute of International Relations held in Geneva in August 1933.

As the eighth of the series its best introduction is its seven predecessors. Like them it endeavours to make a contribution to the study of current problems of international interest, a contribution which is best and most briefly described by the list of contents and the names of their contributors. It remains but to add that the Institute as such holds no thesis on any of the problems dealt with, and that the opinions expressed in one or other paper represent the views only of the author concerned and of those whom he may happen to convince.

THE EDITOR

NOTE

As an independent organization for the scientific study of International Relations the Geneva Institute endeavours to secure as Lecturers and Leaders of Discussion those who are generally recognized as authorities, whether they be politicians, professors, civil servants, publicists, or eminent officials of the League with practical experience of its administration.

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CHAPTER I

A SURVEY OF RECENT WORLD AFFAIRS

by

PROFESSOR GILBERT MURRAY

Regius Professor of Greek, Oxford.

THROUGHOUT the greater part of my lifetime, before the Great War and the foundation of the League, there existed a civilization in which each country was being brought nearer to the others, in which different spheres and activities of the human mind were being brought closer and closer together, and there was a constant tendency towards unification. This civilization was governed by sixty or more sovereign independent states, each pursuing its own interests and each with the right at any moment, at its own discretion, to declare war on any of the others. It was, in the phrase of Mr. Lowes Dickinson, an 'international anarchy'.

How did such a system contrive to exist without disaster even for a generation? It was kept going only by the special skill and ingenuity of statesmen—as, for example, a number of motors in a crowded space, with no agreed rule of the road, might be kept from collision by the sheer skill of the drivers. But ultimately disaster was inevitable, for it was impossible to have a civilization which was almost a unity, and which was drawing closer and closer to unification, so utterly without any common guidance. Inevitably there came the great clash of the World War—war, which means the utter failure of civilization in every form—the exaltation of evil and disaster.

2 *A Survey of Recent World Affairs*

After the war there came an extraordinary effort of reconstruction, extraordinary both in its results and in the unanimity with which practically all the nations of the world joined together in the effort. The statesmen of the world had seen that things could not go on according to the old system, and that there must be some organization or machinery which would represent the unity of the world.

i. *An Infirm Cosmos.*

What have we got now? We have not got an organ of world government—that is very far distant. What we have is an organ of consultation. The nations of the world regularly consult in Geneva every four months, and, when necessary, a great deal more frequently. That in itself is an enormous advance: the beginning of a ‘cosmos’.

The Greeks invented that word ‘cosmos’ when they discovered that the stars in their orbits, the sun and the moon, were all obeying a law and that the orbit of each planet was part of the tremendous world order. They applied the word ‘cosmos’, which simply means order or arrangement, to the whole universe.

But in the beginning of our world cosmos there is one serious weak point as it now exists. The ultimate decision in every case of a dispute rests, not with the whole community, but with the individual State. Whenever the interest or desire of any one State is pitched against that of humanity as a whole, the decision is given by that State. To that degree every State remains sovereign and independent. We have, therefore, not an anarchy but what might be called an ‘infirm cosmos’.

I think we should not forget that the society in which we are living is extraordinarily vigorous and progressive.

There have been very few times in the history of the world which have been so marked by the progress of science and mechanical invention. In social matters also the advance is extraordinary. There is constantly a greater skill in organization and a greater development of what is called the 'social conscience'. There is a greater determination among the mass of the people that great wrongs shall not continue if they can possibly be remedied. For example, we feed and clothe and even educate our unemployed. In the Middle Ages they would have been left to die, just as to-day they die in China and in Russia and in any place where there is not an effective social organization and a strong social conscience.

You can also trace the vigour of our society by the way in which nations such as France, a few years ago, and the United States now, make efforts of a spirit and energy almost unparalleled to recover from disasters that have overtaken them. The effort made by my own country, Australia, has been almost equally remarkable. It is, therefore, a strong and vigorous society which is now attempting to form a world cosmos, although an infirm one.

On this infirm cosmos there has come a tremendous shock, a shock unparalleled in history—the gigantic economic crisis, culminating in the thirty millions of unemployed people.

ii. *The Causes of the Crisis.*

If anyone be still in doubt as to why this great disaster has occurred let him refer to the report of the World Economic Conference of 1926-7. That was a conference of experts (*i.e. of people who knew economics*). There has since been another World Economic Conference of Governments, who no doubt knew something or other, but who certainly did not know much economics!

The Economic Conference of the experts unanimously decided that there was more wealth in the world and more power to produce wealth than ever before, but that there was a 'maladjustment'. This had arisen partly owing to the over-production which had been stimulated by the war and increased by technological inventions. Another factor, also due to the stimulus of the war, was the industrialization of countries which had formerly not been industrialized. There were also incidental maladjustments caused by war debts, the consequent hoarding of gold and the like.

People say there was a breakdown of the old *laissez-faire* system: but we should remember that there was no *laissez-faire* system in existence. There was only a queer jumble of *laissez-faire* here and violent nationalistic protection there—the same lack of anything like world order or organization. What was needed was the bringing of a cosmos into the world economic life.

This was all analysed very carefully and ably by the World Economic Conference of 1926-7, and I think it is no exaggeration to say that if the advice of that Conference had been taken by the Governments there would be no crisis now, or, at any rate, the crisis would be vastly less acute. A great effort was made by two or three Governments and by important private societies in many countries, to try to get the Governments of the world to take that advice, but the attempt failed completely.

Hence we have the present state of affairs. Each Government, instead of taking the advice of the economists of the world and trying to get some world order into economics, preferred to follow what seemed to be its own interest and to tackle the difficulty by means of economic war.

Following upon that situation, there was the present

World Economic Conference in London and, for perfectly simple reasons, that has been, with certain small allowances, a very great failure.

I do not want to criticize any particular person, but I remember that in Canada one important minister, a very able and high-minded man, won his election on the cry 'Canada First'! I expect it was the same in other countries. Is it remotely probable that the Canadian electorate as a whole would *not* put Canada first? Of course they would. When a man comes to an electorate already disposed by every natural instinct to put their own interests first, and passionately urges them to put themselves first, the result is that they must put themselves quite wildly and unreasonably first. And so, having had a movement of this sort in most of their countries, the delegates went into an economic conference where one said, 'Now, we must all agree to put Canada first'; and another said, 'Australia first'—I confine myself to the British Empire in order not to be offensive to other nations—while another said, 'That's right, except, of course, that it ought to be South Africa first'.

Naturally, the Conference broke. Each Government wanted to fight for itself. There was again the lack of the spirit of world order, the spirit which subordinates the nation's immediate interest to the interest of the whole community of nations. In fact I think the main reason, although there are some contributing causes, of the great economic depression is what we may roughly call 'economic nationalism'.

iii. *Reason or Violence?*

The shock has been terrible and in a great many countries it has brought about revolution or collapse. From this, however, I would draw a conclusion which may to some people be slightly surprising, but, as far as I can judge, is absolutely warranted by the facts. It is the enormous value of a sound parliamentary tradition. Amid all their misfortunes, Great Britain, France, Switzerland, Holland, Belgium, Denmark, Norway, Sweden, and perhaps, for other reasons, Czechoslovakia, are standing stable and safe. Not a single country with a sound parliamentary government and the immense moral training of parliamentary government has had revolution or collapse. Almost all those who have not this tradition have collapsed or suffered a revolution.

A people cannot manage to govern itself—and that is the essence of parliamentary government—unless there is spread through the population a certain large power of self-control and self-restraint, and a very considerable trust in the honesty of the people who are elected.

I do not want to say anything too indiscreet about other countries, but there is in Japan a militarist government which came into power after a series of assassinations and acts of terrorism, and which has plunged into a war which the world has universally condemned.

In Russia there is certainly an interesting experiment being made, but consider the methods by which this experiment was reached. One of the methods was the extermination of the middle class. Personally, I am quite interested when people express to me their political ideals, and I do not much mind whether I live in a Communist State or a Monarchist State, but when a man says to me: 'Here

is my ideal; it is perfectly splendid; you see how happy and prosperous everybody will be if I once get my way, but I must first massacre or beat to death or imprison some thousands of people', I say at once that I prefer some other ideal.

The trouble is that these revolutions and collapses have been mere failures of civilization: they have not been well-thought-out plans which a prosperous and successful State has deliberately put into operation. They have been the result of extreme misery, injustice and the madness thus caused. The very reason why I sometimes feel charitably towards revolutions is that they have been caused by such an infinite abyss of suffering.

There is a curious appeal to human nature in violence. Violence seems at the moment to solve all difficulties. You select some object for your rage, you destroy it, or, as I remember hearing one revolutionary orator advocate, you 'find your enemy and give him hell'! There is no doubt that the less stable elements in the old and firm democracies have been fascinated by these outbreaks that look at first like a bold step, but are really mere failures of one country after another in the business of governing itself.

In addition to its fascination, violence has another terrible effect. It produces counter-violence. It drives out the forces of wisdom and moderation. That is all wrong. We who believe in the League of Nations must realize that we do not want to help Nazis to kill Communists, or Communists to kill Nazis: we do not want to kill enemies or to make enemies; we want to make friends, to make associates, to listen to all people have to say and to treat them reasonably.

iv. *Dictatorships and the League.*

It is worth noting that whereas in all previous ages it was the successful soldier who established himself as dictator, among all our dictators to-day only one, as far as I can remember, has had any particular military distinction. Mustapha Kemal was a remarkable soldier. The others have only been remarkable demagogues, or operators in mass psychology. From this we can draw one very comforting conclusion: they will not go to war. For they know that if they did a real soldier would have the limelight and not the present dictator.

Nevertheless the existence of these dictatorships, which are so strongly nationalist and which make the edges of every nation sharp and hard, makes the necessity for a League of Nations, an organ of world consultation, much greater than it was before. If the world was divided among a great many thoroughly pacific, just and liberal-minded nations, we could conceivably manage without regular consultation but, as things are to-day, consultation is absolutely necessary, or disaster will come.

On the other hand, there is no doubt that the establishment of the dictatorships and the highly nationalistic States does militate against all the ideals for which we and the League of Nations stand. In some of these countries the people who have spoken and written boldly in favour of the League of Nations spirit are now most of them either exiled or in prison, if they are still alive. That, naturally, is very serious. If there is merely an organ of consultation which must of necessity be used because of the danger of not using it, but without the real spirit of co-operation I am not sure how long it can continue. On the other hand,

it must be remembered that in general tendency, order lasts and disorder does not: revolutions do not last. In Spain and Greece we have seen a return from a military dictatorship. We have had great countries like Italy and Russia, not, indeed, changing their system of government, but completely changing their attitude in foreign policy. Both of these countries are now decidedly influences for peace and co-operation.

There is, however, little doubt that the energy which is to make civilization one and our social institutions stable must, in the main, come from the parliamentary nations. We are much stronger than the others, partly because we stand together while they stand against each other, and partly because the three greatest Powers, Britain, France, and the United States, belong to the parliamentary nations and the middle-sized nations are almost unanimously on the same side. How very remarkable, for instance, was the action of what were called the 'Straight Eight' during the Disarmament Conference. The eight middle-sized nations all saw that the interest of the world was identical with their own interest, and that there must be disarmament.

v. Some Results of the Crisis.

What have been the results of this great shock on policy? The first result, as I have already mentioned, is that the World Economic Conference, which, if it had been properly prepared and if the Governments had been ready to follow the advice of the Economic Conference of experts in 1926-7, might have been an enormous success, has been a failure.

One has to remember, perhaps, two small consoling factors: one is that, although as a world conference there was failure, it is quite likely that some smaller incidental

agreements may emerge from it which will greatly relieve the distress. The other is that the first conference of people who are in disagreement hardly ever succeeds. I think it is quite possible that this first meeting of the Economic Conference has given such a shock to all the Governments that when they meet again, with their present experience, they will probably get much nearer to some common action.

The second result of the crisis was the still greater failure over the handling of the problem of Manchuria. It is not merely that the League failed to prevent war in an extremely distant part of the world, conducted by a powerful people who were not affected by European opinion. What was fatal was that the Great Powers of the League, because they found any other course would be difficult and awkward for them, failed to keep the promise they had given to the world. That breach of faith has, without doubt, sent a profound current of mistrust through the whole of civilization.

I do not think it is any good saying the Great Powers failed because Mr. A. B. was weak and Mr. Y. Z. was so wicked. They failed, roughly, because this infirm world order on which the great shock had just fallen was in weak health and did not react healthily and normally. It is always interesting to remember that the Japanese made their first illegal aggression at a chosen moment, immediately after they had the news of the mutiny of the British fleet, which they greatly exaggerated, and in the same week that Great Britain went off the Gold Standard. The British Government, or any other Government, would be tempted to say at such a time, 'For Heaven's sake don't trouble us with the Far East. There are all sorts of things immediately before us that vitally affect the whole life of Great Britain.

We cannot be bothered about Manchuria.' A great many other nations were in the same position.

The failure of the League in Manchuria was a failure of civilization, and civilization failed because it was in such a weak condition, owing to the economic crisis and other reasons.

However, the failure, although very grave, is not complete. The League succeeded in doing in the case of Japan something that has never before been done in the history of the world. It got Japan and China to agree that an International Commission should be sent out to the spot to examine the facts and publish a report. I need not say how admirably that Commission did its work. If similar crises should arise in the future it seems almost certain that a similar Commission must be appointed. War is no longer the private affair of two nations.

Then it is something to have had the Assembly unanimously supporting the Lytton Report and definitely condemning the aggressive war of Japan.

I find, too, that whilst the enemies of the League rejoice in the League's failure, most people in most countries condemn Great Britain and the United States. All over the world they say, 'This is all wrong; Japan ought not to be allowed to make war on China'. Now I cannot imagine that in the 1890's there would have been any general indignation of this sort. People might have blamed Japan for making the war, but they would not have thought of blaming the British Government, or the American Government, for not stopping Japan from making war on China. That this happens to-day is a very definite advance of public opinion, which we must not forget.

I should, therefore, say that the Manchurian problem

was, to put it in military terms, a bad defeat for civilization, but a defeat in a territory which until 1919 civilization would never have dared to occupy.

Of course the issue is not yet decided. There is a Committee of the League still at work. There may possibly be found some comparatively satisfactory conclusion, or there may be some much greater disaster than anybody anticipated in the past. I remember Sir Edward Grey saying to me that the great rule in all international relations was never to be false to your word. The results of the breaking of a promise might be almost infinite.

In this case a promise has been broken, and the future remains unknown.

vi. *The Ordinary Work of the League.*

Let us turn from those two great failures to the ordinary work of the League, which has hardly been disturbed.

There have been two wars in South America, one of which was stopped and the other of which is probably going to be stopped, or at any rate checked.

The dispute between Great Britain and Finland was settled.

The dispute between Great Britain and Persia was settled.

A dispute between Poland and Danzig—on a small point, but in that particular region even small points are very dangerous—was settled within a fortnight by the League.

In Liberia the civil war—if it could be so called, for it was more like a massacre—was stopped. The beginning at least of some sort of redemption for that miserable territory was set well on foot.

The health work of the League, the history of which reads almost like a fairy tale, has been going steadily ahead.

Things have been done which, a generation ago, would have filled the world with wonder. Malaria, plague, pestilence in the Far East, and so on, are being progressively checked.

Progress has also been made with the slavery question. It is now two thousand six hundred years since Greek philosophers began to argue that slavery was contrary to nature and ought to be stopped, and for all that time the world has failed to stop it. But now, step by step, we are moving towards its total abolition, and, at last, the League has set up its Permanent Commission to see that slavery, and conditions akin to slavery, are swept out of the world. That is a great thing, but even here it is not difficult to see the weakness of civilization, of which I have spoken. The nations agreed to set up their Permanent Commission but could not provide any money for it! It is hoped that they will have the money next year.

Then there has been the work on the drug traffic; like some other evils, the drug traffic, when it is suppressed in one place, is very apt to arise somewhere else. The Japanese Government are accused of encouraging it, and making a large profit from it. Nevertheless the traffic has been stopped in a great many places where it was bad and a world convention is now working.

vii. *Disarmament.*

Finally there is the greatest task of all, that of disarmament. I remember a man whose opinion I value very highly saying to me some months ago that there were two great Conferences before the world. He said that if both succeeded they would secure peace and prosperity for the world greater than it had ever known before: if both failed, there would be famine, revolution, war, and, he went on to say, 'all the

politicians will be lynched!' He thought also that if disarmament were achieved, the other Conference would also succeed. If the Disarmament Conference failed, the other could not succeed. As it happened, the Economic Conference began before disarmament had been carried through.

What is the present state of affairs? The first very important thing to remember is, as M. de Madariaga has pointed out, that there are practically no technical difficulties left. The Conference now knows what armaments ought to be abolished if general security is to be produced. There are only political difficulties left. That is an enormous advance on the state of things at the beginning of the Conference. A distinction has been clearly drawn between the armaments that facilitate and make possible an invasion, and those which may prevent an invasion.

Secondly, all the small and medium-sized nations of the world are strongly in favour of disarmament. Anybody who has been present at the Disarmament Conference will realize it. The whole difficulty lies with a few Great Powers; and my opinion, judging from England and France, is that any Government which thinks that it is risking its popularity by going in strongly for disarmament is making a most profound mistake. I believe that public opinion in both those countries is ready to follow with enthusiasm a policy of peace and disarmament.

Thirdly, it is definitely agreed that Germany must have equality, and, consequently, no small measure of disarmament would be any good. Any measures that are carried through must be pretty radical, because nobody in the world will feel safe if Germany is permitted to have large armaments.

The interest of the world is really compelling in this matter. We must have some sort of agreement, because

the other nations of Europe cannot consent to Germany again becoming a great military Power. However much they dislike their own disarmament, they must realize that to have Germany, in its present frame of mind, a great military Power is something that cannot be faced. For my own part, therefore, I think the Disarmament Conference will be achieved.

There is only one great hitch. Have we forgotten Japan? It may be impossible to carry out much actual disarmament if Japan stands out and goes on increasing her Army and Navy as she is at present. On the other hand, it is quite possible to make a conditional agreement, and it would in any case be almost essential to allow some fairly large time-limit within which the reduction takes place. It is in my opinion likely enough that within a period of, let us say, five years, the temper of Japan and the Government of Japan will be something exceedingly different from what it is now. In any case, the Japanese problem is mainly naval, so that even at the worst it would not be quite fatal to a reduction of the land armaments of Europe, and it is they that constitute the greatest danger for the world.

vii. *Our Responsibility.*

Is there anything that ordinary private citizens can *do*? The curious thing is that we matter. Each one of us, when he thinks, 'What can I do in these enormous world problems?' feels himself to be absolutely negligible. Nevertheless, we know quite well that if ordinary people in all countries of the world are, as it were, really praying for peace and order—if we are with all our heart desiring this establishment of a cosmos or some world order that will help towards building that great city of men and gods of which Greek philosophers

dreamed—then undoubtedly we have what Bismarck used to call the ‘imponderables’ on our side. We have a force which cannot be measured or weighed, but which, in the end, cannot be resisted.

I would say to you, ‘Keep your faith’. This has been a dark year for the League. In England, at any rate, we have the Press against us, we have the present House of Commons very largely against us, we have against us all kinds of odds. This is the time to keep faith. In a year or two things will probably be different, and the people who have lost their faith now will be joining us again.

CHAPTER II

NATIONALISM AND THE LEAGUE OF
NATIONS TO-DAY

by

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i. *Introduction.*

THE world to-day is appallingly interesting. It is interesting, because it is changing so fast. It is appalling, because almost every change we have witnessed in the course of the last years has been a change for the worse.

As mankind is ever proceeding from the past, through the present, towards the future, all change may, in the purely dynamic sense of the term, be called progress. If, however, we seek to estimate the value of change in terms of human welfare, as also if we consider it in the light of the goals pursued, the most significant recent changes in the political and economic spheres are clearly reactionary.

For generations and, in some cases, for centuries, all nations within the orbit of our Western civilization have, through wars and revolutions, been striving to secure for all their members greater physical and moral security, greater political equality, greater individual freedom. Greater security, that is more assured protection against the violence of their fellow-citizens and against the arbitrary oppression of their Governments. Greater equality, that is less discrimination on grounds of race, of sex, of religious and

philosophical creed and of social position. Greater freedom, that is more latitude for the self-expression and self-assertion of the individual in the face of the authority of tradition and of the State. Guarantees for the protection of the fundamental rights of man, the abolition of arrest without trial and of imprisonment for debt, the suppression of slavery, the extension of the suffrage to all and thereby the subordination of the Government to the will of the people, that is of the majority of all the people, parliamentary control of the budget, that is no taxation without representation, the recognition of the freedom of thought, of speech, of assembly, of the Press, the independence of the judiciary and the autonomy of the university, such are some of the ideals for which our fathers, grandfathers, and great-grandfathers fought, bled, and died. Such are some of the conquests of human dignity over barbarism, of knowledge over ignorance, of right over might, which they triumphantly achieved and which they proudly bequeathed to us. And such are some of the ideals which, after the greatest struggle in human history, we, their children of the twentieth century, through stupidity and cowardice are, sometimes with the blind enthusiasm of mad fanaticism and sometimes with the dull resignation of impotence, disavowing, renouncing, abandoning. The individual, the family, the local or regional community, everything and everybody is being sacrificed to the State. The State itself, once held to be the protector and the servant of the people, is in several countries of our Western civilization being turned into a weapon for oppressing its own citizens and threatening its neighbours, according to the capricious will of one or of a few self-appointed individuals. These individuals, whether they style themselves chiefs, leaders, or dictators, are all what free men of

all times, under all climes, have combated as tyrants. They are to-day acclaimed as heroes by hundreds of thousands of European youths, welcomed as saviours by millions of European bourgeois, and accepted as inevitable by tens of millions of European senile cowards of all ages.

If, as I expect, I am accused of exaggeration, I beg my hearers to take a sketch map of the world. Let them mark in black the areas subjected to regimes such as I have indicated, and leave in white those which are governed in conformity with the ideals of freedom which inspired the British, the American, and the French revolutions of the seventeenth and eighteenth centuries. I accept their judgement as to the present state of the world and particularly of Europe.

Is it surprising, under these circumstances, that the League of Nations, which some of its founders wished to call the League of free Nations, should be undergoing a crisis so severe as to menace its very existence? The League of Nations is an attempt to realize, on the international plane, the ideals of government which its founders rejoiced in within their own respective countries. Human freedom, guaranteed by the organized community against the aggression and the oppression of the violent few, human welfare, promoted by the spontaneous and orderly co-operation of all for the benefit of all, such were the national ideals of President Wilson, of Lord Robert Cecil, of General Smuts, of Léon Bourgeois, which they formulated in the Covenant for the benefit of the international community. As long as this conception of the good life, national and international, remains that of a sufficient number of sufficiently convinced and powerful members of the League, so long will the League endure. But only when it becomes that of the overwhelming

majority of the human race and is recognized and proclaimed as such by their Governments can the League truly prosper.

Students of the League of Nations in 1933 should realize to the full its present plight and seek to understand the reasons thereof. Especially is this true of those who study the League not merely with a desire to satisfy their own scientific curiosity, but also with the will to contribute to the success of its endeavours and to the triumph of its ideals. Official optimism, always a nauseous dish for the mind of the honest, if it could perhaps in prosperous times be excused as a useful stimulant for the will of the feeble, would to-day act as a sickening and deadly opiate on the minds and wills of all. Not only the friends of truth, but especially also the real friends of the League, should therefore to-day, meeting at its bedside, take full cognizance of the gravity of the patient's condition and inquire into the real nature and causes of his illness in order to be in a position to determine and to recommend the necessary remedies.

That the League is ill will doubtless escape the attention of no observer, no matter how casual, how superficial or how blindly optimistic. To be sure, the new buildings are progressing, or—to avoid that ambiguous term—being completed. To be sure, committees and sub-committees are continuing to meet, interpreters to interpret, précis writers to draft minutes, officials to produce intelligent memoranda and delegates to deliver lengthy speeches. To be sure, the States members of the League are continuing to pay their contributions, although somewhat less promptly and fully, and to send representatives to Geneva, although perhaps not as many nor as influential representatives as some years ago. To be sure, most of the political, administrative, and technical activities are being carried on and some are achieving

results truly useful for the States themselves and for their mutual relations. To be sure, finally, the main conferences summoned by the League have never been attended by as many official delegations and the co-operation of non-member States, particularly the United States and Soviet Russia, has never been as continuous, as intimate, and—one would like to be able to add with more confidence—as fruitful.

I would be the last to underestimate the real importance of all the work done by the League and its servants and, thanks to the League, by the States themselves, their Governments, and their delegates. The very existence of the Covenant, even if its provisions are sometimes violated, and the very existence of the League, even if its recommendations are often disregarded, are politically valuable, as is morally valuable the conscience of the most inveterate sinner. They offer an occasion for international discussion which, even when it leads to no positive results in the form of agreements, does most helpfully contribute to mutual understanding. The ease with which such discussions are initiated and the atmosphere of orderly freedom and impartiality in which they are pursued are gains which the world owes the League and which enlightened and unbiased pre-war statesmen and students never tire of emphasizing in the light of their own less fortunate recollections. Furthermore, besides this advantage which a knowledge of the past brings to our attention, there is another perhaps still more significant advantage which the future may reveal. The Covenant and the League, by their very existence, continuously offer the world the opportunity of constructive alternative policies to those which, in spite of the Covenant and of the League, are so generally and so disastrously being pursued to-day. When contemporary statesmanship will have exhausted the

cruelly disappointing possibilities of the exclusive nationalism to which it is condemning the world, it may well revert to the Covenant and find therein both consolations and exhortations similar to those which the surviving politicians of the Southern Confederacy, after the Civil War, doubtless found in President Lincoln's speeches and messages.

That the world is better off to-day for the League of Nations is obvious to my mind. But that the League of Nations is very badly off in a world disloyal to its Covenant and indifferent to its promises, strikes me as no less obvious. It is to a brief attempted diagnosis of the League's illness that the remainder of this paper will be devoted.

Besides and overshadowing its many varied activities, to which allusion has already been made and whose importance has already been recognized, the League has, in the course of the last year, been engaged in three major enterprises: the attempted peaceful settlement of the Sino-Japanese dispute by the Council and the Special Assembly; the attempted reduction and limitation of national armaments by the so-called Disarmament Conference; and the attempted world economic reconstruction by the Monetary and Economic Conference. Three major attempts, three major failures.

It is now my unpleasant but necessary task to show briefly but quite ruthlessly that, how, and why these attempts were failures. In order to make my purpose in so doing clear, I find no better analogy to evoke than that of the dental surgeon and of his equally unpleasant, necessary, and ruthless task. A very discreet allusion, I hope, will suffice, when I say that no tooth is ever well filled unless the decayed cavity be completely cleared of all soft matter, regardless of the momentary comfort of the patient and even of the life of some of his nerves!

ii. *The Sino-Japanese Conflict.*

Of the three failures of the League with which I have now to deal, that of the settlement of the Sino-Japanese conflict is perhaps the most serious in itself and the most far-reaching in its repercussions, as it is certainly the most spectacular.

It was a failure first because it led to an open breach of the Covenant, as well as of at least two other international treaties, by a State permanently represented on the Council.

That the attitude of Japan towards China in Manchuria and in Shanghai and towards the League in Geneva was an example of the 'open, just, and honourable relations between nations' which the signatories of the Covenant prescribed unto themselves in its Preamble; that Japan displayed the will to make 'of the understandings of international law' 'the actual rule of' its 'conduct among Governments'; that its policy was characterized by the desire to maintain 'justice and a scrupulous respect for all treaty obligations in the dealings of organized peoples with one another'—all that cannot honestly be asserted. The undoubted and much-stressed fact that the Chinese of to-day cannot be described as an 'organized people' does certainly not relieve Japan of its international obligations towards China, nor would any responsible Japanese statesman before the outbreak of 1931 have claimed that it did.

That Japan has since that date respected and preserved 'as against external aggression the territorial integrity' of China, as she was bound to do under Article 10, cannot seriously be held by anyone. That the conflict was examined by the Council and by the Assembly at the request of China, that after much hesitation, delay, negotiation, and inquiry,

the Assembly rendered the report called for under the provisions of Article 15, and that that report was 'unanimously agreed to by the members . . . other than the Representatives of one . . . of the parties to the dispute' are matters of common knowledge. That China accepted the report and complied with its recommendations and that Japan was therefore legally debarred, under Article 15, paragraph 6, to 'go to war' with her cannot be denied. In order therefore to free Japan, who pursued her aggression after the verdict of the Assembly, of the accusation of having violated her undertakings on this point, one has to claim that the continuance of the use of organized military force against complying China is not synonymous with 'going to war'. When a case can be made to rest on no better arguments than on such verbal quibbles, it is assuredly desperate.

No, Japan has openly broken her international pledges by initiating, pursuing, and bringing to a successful close an aggression against one of her neighbours, like her a member of the League, and by wantonly disregarding all contrary provisions of the Covenant. Her decision to leave a League of Nations so contrary in its fundamental principles and in the unanimous views of its so different members to the present temper of her Government, is a tacit admission of the fact, if further proof were necessary, which is obviously not the case.

For this first reason alone the Sino-Japanese conflict has been a misfortune for the League. To have lost, morally through his felony, and materially through his resignation, a charter member, is for the structure of an already weak League a very serious blow.

That, however, is not in my estimation the gravest aspect of the matter. The League was created to maintain peace,

if need be among its own members. That one or several of them might resort to war in disregard of their pledges was foreseen and provided for by its founders. One may even say that the League would forfeit most of its justification if such an event could be dismissed as being without the realm of practical politics. That Japan has violated the Covenant is in every sense deplorable. But so far we have noted no fact that has humbled the League or shaken its authority.

The second and much more serious aspect of the dispute from the point of view of the League is that Japan violated the Covenant not only, as we have seen, with defiance, but also with complete impunity and therefore, as far as one can judge historical events which have not yet run their full course, with complete success. Thereby she has dealt a crushing blow not merely to the structure of the League, but to its prestige and to its *raison d'être* in the eyes of the world. The machinery expressly set up under the Covenant for the maintenance of peace and the protection of the law abiding has lamentably failed to function or, what is perhaps more accurate but hardly more hopeful, it has functioned only verbally and not actually. Like a motor in action, unhitched from the car which it was destined to draw, the machinery of the League has been turning for nearly two years. But it has, amidst the protests, denunciations, complaints, and imprecations of its engineers, left stranded by the roadside the chariot of peace and justice it was intended to propel on a course of triumphant achievement.

This failure is equally grave in its immediate cause and in its direct and indirect consequences.

Its immediate cause is to be found in what may brutally but not inaccurately be called the disloyalty to the League

of all the States its members. As we have seen, in effect and in spite of all the legalistic subtleties which have been produced to disguise the fact, Japan resorted to war in disregard of her covenants against a State which had accepted the unanimous decision of the other members of the League. This very case is provided for under the Covenant by Article 16, the first three paragraphs of which have no other purpose but to organize the protection of the victim of unjustified aggression. Just because, for the reasons we are deploring, those provisions were hushed out of existence in the final stages of the Sino-Japanese discussion in Geneva, they shall be quoted *in extenso* here. They read as follows:

‘(1) Should any Member of the League resort to war in disregard of its covenants under Articles 12, 13, or 15, it shall *ipso facto* be deemed to have committed an act of war against all other Members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between their nationals and the nationals of the covenant-breaking State, and the prevention of all financial, commercial, or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State, whether a Member of the League or not.

‘(2) It shall be the duty of the Council in such case to recommend to the several Governments concerned what effective military, naval, or air force the Members of the League shall severally contribute to the armed forces to be used to protect the covenants of the League.

‘(3) The Members of the League agree, further, that they will mutually support one another in the financial and economic measures which are taken under this Article, in order to minimize the loss and inconvenience resulting from the above measures, and that they will mutually support one another in resisting

any special measures aimed at one of their number by the covenant-breaking State, and that they will take the necessary steps to afford passage through their territory to the forces of any of the Members of the League which are co-operating to protect the covenants of the League.'

Japan, as we have seen, violated her covenants not to resort to war. But who, after examining carefully and frankly the situation in the light of the just quoted clauses, can in all intellectual honesty deny that Japan's example was followed by her fellow-members? Under paragraph 1 of Article 16, they undertook to apply certain specific sanctions to the covenant-breaking State, but in fact there has, on their part, been no 'severance of all trade or financial relations', no 'prohibition of all intercourse between their nationals and the nationals of the covenant-breaking State', no 'prevention of all financial, commercial, or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State'. And there has of course been no consideration by the Council, in pursuance of what would have been its duty under paragraph 2, of the 'effective military, naval, or air force the members of the League shall severally contribute to the armed forces to be used to protect the covenants of the League'.

On the contrary, far from being isolated and outlawed, as the Covenant, to say nothing of the Kellogg Pact, provides, Japan is being treated by her associates in the League with all the consideration due to an equal and powerful accomplice. Thus the failure of the international community to live up to its duties of self-protection in the person of each of its members, which is the immediate cause of the inefficacy of the peace machinery in the case of the Sino-

Japanese dispute, has been a third factor of the League's weakness.

A fourth is to be found in the consequences of this collapse. By failing to protect China, the League has disappointed not only the Chinese victims of its impotence, but its other friends and supporters all over the world. By forfeiting their confidence in its ability to meet the emergencies it was essentially created to meet, it has rendered immeasurably more difficult propaganda in its favour. When one realizes the importance of public opinion in international affairs, that loss which, in its turn, entails a diminution of the League's vitality, seems almost irreparable. Not the man in the street alone, but also all thoughtful and responsible statesmen, are tempted to conclude from the League's paralysis in the Sino-Japanese dispute, that it can under no circumstances be looked to as a protector of the victims of any aggression that may take place in future. This view, which is very widely held and has even been openly expressed in official League circles, is the major cause of the League's second failure, in the sphere of disarmament.

Before turning to that, we must seek to discover, behind the outstanding facts just recalled, the deeper causes of the League's impotence in the Sino-Japanese dispute. These causes, which I will state with the same frankness shown in describing their effects, explain and thereby to some extent may excuse the failings of the League.

The first of these causes I see in the deplorably disorganized state of China. When a country is palpably unable to govern itself, when even under the stress of foreign invasion its rival governments, generals, and armies cannot sink their differences in a common effort of national defence, when its principal leaders are so uncertain of their own

policies and so fearful of the consequences of drastic action that they refrain from breaking off their diplomatic relations with the aggressor against whom they claim the protection of the rest of the world, then surely there is some excuse for the rest of the world if it is reluctant to engage its last resources in an attempt to secure that purpose.

A most unsatisfactory customer for the League China is, not only by reason of its internal state, but also by reason of its geographical position. It so happens—and friends of the League like to think that it is no mere accident—that Japan's victim is placed between two other Great Powers, neither of which is a member of the League. Without the co-operation of both Soviet Russia on land and of the United States on the sea, it is difficult to conceive of a possible military action in favour of China against Japan. And without the co-operation of either, it is clearly impossible. Now, not only the military but even the economic co-operation of the United States and of the Soviet Republic were unavailable in Geneva. They were, in fact, so obviously unavailable, that they were not even sought. It is uncertain whether they would have been really welcomed in the leading capitals of Europe, even if they had been available. But who doubts that Japan's aggressive action was materially facilitated by the absence from the Council and the Assembly of the representatives of the Soviets and that it was not substantially impeded by the intermittent and almost casual appearance of American observers?

These two circumstances alone might have explained the inability of the League to bring about a fair and peaceful settlement of the Sino-Japanese dispute. For neither could the League nor any of its leading members be made responsible. Had there been no other impediments, the lesson

taught by the events would have been simple or rather, if one may use the phrase, simply double. On the one hand, China would have been reminded once again of the wisdom of the saying concerning Heaven's helping only those who help themselves. On the other hand, the League would once more have been made to realize the advantages, nay the necessity, of its becoming universal in membership.

But although the Sino-Japanese conflict has undoubtedly revealed these two impediments and brought home these two lessons, it would be a most superficial analysis that would discover no other obstacles and would point to no other conclusions. No careful observer of the events in Geneva, in London, in Paris, in Tokyo, in Nankin, and elsewhere could fail to note that inhibitions of another order were also paralysing the League.

On Great Britain, as the leading naval Power, as the mistress of Hongkong, as the head of an Empire including Australia, India, New Zealand, and Canada, and as the most important Western trader and financier in the Far East, rested the main burden of responsibility in the Council and in the Assembly. At no time had one the impression that British policy was determined essentially by the will to uphold the Covenant and to protect China. No British ship was moved. No word of direct and unequivocal warning was uttered. No consistent and persistent effort was made to enlist American and Russian co-operation. The British ambassador in Tokio was reported as not being at all hostile to the action of Japan. Considerations relating to the security of British possessions and British dominions and to the promotion of immediate British economic and political interests were always paramount. In London, Japan seemed throughout to enjoy real popularity. When

the Foreign Secretary declared that under no circumstances would his Government allow Great Britain to be brought into conflict with her former ally in the Far East, his statement was well received in the House and in the Press.

Nor was the attitude of France fundamentally different. Mindful of the position of Indo-China in Asia and far from indifferent to Japanese diplomatic support in Europe, particularly at the Disarmament Conference, her conception of the League as the essential guarantor of security and as the supreme supporter and enforcer of treaties seemed strangely limited to her own continent.

Italy, whose role was modest, could not be expected boldly to oppose the policy of Japanese imperialism based on notions of racial superiority and of demographic expansion very familiar and very dear to her present chief.

Germany, with so many irons in the fire on her own borders, did not dream of offending the great power of the Far East in the interests of prostrate China.

As, in spite of her anarchy, China was an appreciable present market and a potentially important future market, no one openly abandoned her. But as Japan, with all her burden of international sins, was a still more active customer and a more formidable factor on the political chessboard, the attitude of the Great Powers of the League towards Tokyo was more that of outwardly aggrieved but really benevolent neutrality than that of stern and vigilant justice.

It was left to the minor States, and especially to Spain, Ireland, and Czechoslovakia, to uphold the principles of the Covenant. This they did with real energy, but of course with little risk to themselves, as with no decisive influence on the course of events in the Far East.

The sad but obvious fact was and is that all the leading

States were and are more or less openly subordinating to their immediate national interests their duties to the Covenant, to the League, and to the cause of world security and international justice. In this respect the Sino-Japanese conflict has evidenced with more dazzling clarity than any other event the supremacy of centrifugal national forces over the centripetal world tendencies in our present civilization. Ever since the origins of the League, this supremacy has been the main obstacle to its progress and may, alas, still prove its final undoing.

One could find a fourth, less tangible but perhaps not less fundamental, cause of the League's impotence, in the general realization of the unsatisfactory nature of the Covenant as at present interpreted as a means for peacefully bringing about necessary changes in international law. It is impossible here to go into the details of Sino-Japanese relations. They are lucidly summed up in the Lytton Report. But no reader of that remarkable document, which has done more than any other single factor to save the League's honour in all this dismal affair, can deny that Japan has a case against China. Not according to existing international law so much as according to all historical precedents and also to a natural sense of historical justice, Japan, by reason of the nature and density of her population and by reason of her political and administrative superiority, cannot indefinitely be held in check by the whole world. Unless and until the League devises some legal means of authorizing, regulating, and controlling normal and inevitable expansion, it will be exposed to outbursts of violence such as that of Japan in Manchuria.

As the safest and, in fact, the only means of preventing revolution nationally is to provide for constitutional methods

of constitutional revision, so the prevention of international war imperatively demands the institution and effective application of methods of pacific treaty revision. The drafters of the Covenant and particularly President Wilson were fully aware of this necessity. But it is questionable whether Article 19, which bears witness thereof, may prove a sufficiently elastic safety valve to forestall future explosions. Here also the pacific organization of mankind would seem to call for a greater measure of subordination of national sovereignty to the interests, needs, and rights of the world community.

All these circumstances, I believe, should be taken into account if one is clearly to understand and fairly to judge the impotence of the League in the settlement of the Sino-Japanese conflict.

iii. *Disarmament.*

I come now to what I have called the second major failure of the League, that in the sphere of disarmament. Am I too pessimistic, or at least is it premature to speak of failure here?

To be sure, the League, which has been dealing with the topic for thirteen years, and the Conference for the Reduction and Limitation of Armaments, which has been in intermittent session for a year and a half, are far from admitting the failure. But are failures ever officially admitted in international affairs?

The unpalatable but indisputable fact is that the States of the world are to-day spending more on their armaments in gold than they were before the war and also than they were five years ago. That, in the present depression, this greater sum represents a smaller fraction of the world's

income will be claimed by no one. Therefore frankness obliges us to recognize that the League has so far failed to achieve that 'reduction of national armaments' which its members, in Article 8 of the Covenant, have declared to be necessary for 'the maintenance of peace'.

It may be argued and in fact truthfully stated that 'the reduction of national armaments' contemplated in Article 8 was 'to the lowest point consistent with national safety and the enforcement by common action of international obligations'. That the present state of armaments is not above that point may be and is being asserted on the best of impartial authority. That is precisely the calamity.

If national armaments have been and are increasing, and if they are not to-day above the level deemed consistent with national safety, it must be concluded that international security has been shaken and not consolidated since the drafting of the Covenant. From that conclusion it is unfortunately impossible to escape.

If, as some have always held and as impartial observers are more and more unanimously conceding, disarmament cannot be achieved except as a by-product of the organization of peace and the consolidation of international solidarity, then it is at least probable that the failure of the League heretofore effectively to reduce armaments should be attributed to its failure to organize peace and to consolidate international solidarity. And so it is in my view.

But, it may be objected, surely the efforts of the Disarmament Conference, the instructive and useful discussions of the French, of the American, of the British, and of the Soviet proposals, the tentative agreements already reached concerning the principle of equality, concerning a permanent Disarmament Commission, concerning qualitative reductions,

not to mention the American offers of political co-operation in emergencies, surely all that is progress. It is progress on the road towards a fuller appreciation of the real difficulties and of the real conditions of disarmament. But it will be progress on the road to disarmament only if and when armaments cease to increase and begin to be reduced as a result of the overcoming of these difficulties and of the fulfilment of these conditions.

To-day, in so far as Europe is concerned, the essentials of the position as they appear to me are briefly the following.

The most pacific nations are relatively the most formidably armed. The least pacific, or those whose present temper and professed policies are least compatible with the maintenance of peace, are as yet deprived of major armaments. Disarmament to a basis of equality between the two groups of States means therefore the weakening of the pacific nations and the relative strengthening of their potential aggressors. In the absence of a League of Nations or of any other international organization willing and able to protect the victims of aggression, one is therefore led to choose between a policy of disarmament and a policy of peace.

To make myself perfectly clear, I would ask: is there anyone within or without Germany who honestly considers the present German régime to be peaceful in its instincts, in its desires, and in its intentions to-day, and who believes that it would be peaceful in its acts to-morrow, if it had the power to go to war with reasonable hope of success? Certainly the countless Germans with whom I have spoken in the past months, including several who are far from hostile to the present régime, are not of that opinion, no more than the authors of the official speeches one can almost daily hear

over the radio or read in the papers. Now if such is the situation, if Germany is inhibited from disturbing the peace of Europe solely or at least mainly by the consciousness of her present military inferiority, is it the duty of France and her allies, is it their right, to disarm? Furthermore, is it to the interests of peace that they should disarm?

Not peace through disarmament, as one would hope and as the authors of Article 8 of the Covenant expected, is the saving formula to-day. But peace or disarmament, such is the tragic dilemma which faces contemporary Europe. It is all the more tragic since it is obvious that the present, unfortunately salutary, inequality in armaments offends one's natural sense of justice and cannot subsist indefinitely. But is it really a dilemma? My answer is: Yes, in the present anarchical state of international relations. No, in a world of pacific nations or, if that be inconceivable, in a world so organized, so constituted, so federated, that each of its national members could rely on the support of the international community as a whole, or at least of the overwhelming majority of its associates, if attacked by an aggressive neighbour.

If that is utopia, then the League of Nations, which is based on that fundamental conception of international relations, is utopia. 'The world is even now upon the eve of a great consummation when some common force will be brought into existence which shall safeguard right as the first and most fundamental interest of all peoples and all Governments, when coercion shall be summoned not to the service of political ambition or selfish hostility, but to the service of a common order, common justice, and a common peace. God grant that the dawn of that day of frank dealing and of settled peace, concord, and co-operation may

be near at hand!' These noble words were uttered not by an irresponsible dreamer, nor by the head of a belligerent State as a stimulant for the morale of his troops on the battlefield, nor by an insincere demagogue bent on overthrowing the Government of his day. They were uttered on 27 May, 1916, by President Woodrow Wilson.

The 'great consummation' then heralded has not yet come about. 'That day of frank dealing and of settled peace, concord, and co-operation' then prayed for has not yet come. To some they seem even further removed in 1933 than they did in 1916. But the elements of the disarmament problem are the same to-day as then.

If you wish disarmament, you must work for the organization of peace. And if you really wish an effective organization of peace, you cannot tolerate the perpetuation of the riot of national sovereignties which is maintaining the world in a state of mutual suspicion and hostility and is ever more transforming Europe into an armed camp.

iv. The Economic Conference.

About the third major failure of the League I shall be very brief. Not that I can share the reported opinion of the American Secretary of State on his return home, to the effect that the World Economic Conference was 'still alive and virile . . . and that it would eventually achieve success'. Of course 'eventually' is a cautious term. But whether success is to be achieved in the course of the present year, as the statement seems to imply, or whether the Conference will be successful only when we shall no longer be among the living to applaud, there is no doubt that it has so far dismally failed.

Summoned to combat the depression, primarily by stabi-

lizing the currencies and reducing the tariffs of the world, after the necessary preliminary solution of the international debt problem, the Monetary and Economic Conference has not only failed to bring about any of the agreements foreshadowed on its agenda, it has actually left international economic relations in a more distressing state of uncertainty and confusion than they already were when it convened. Nor is that either surprising or unexpected.

Ever since the great upheaval of the war, currencies have been unstable, tariffs have been rising and all the States of the world have been drifting towards more or less openly avowed ideals of national self-sufficiency. Under the cyclical wave of prosperity which abruptly broke in the autumn of 1929, these anarchical and centrifugal tendencies were hidden from the view of the general public. But they were real nevertheless and they seemed inoffensive only to those who judge of economic prosperity by the current rate of wages, the current price-levels, and the current quotations of securities.

How a world which every progress of civilization and every material improvement tends to make more interdependent could hope to achieve lasting prosperity under a political régime which stressed and strove to realize the ideals of national independence also on the economic plane, is a mystery. The Economic Conference of 1927, meeting in the midst of what to-day seem almost unbelievably good times, was not blind to the dangers that were menacing. Its warnings and its recommendations remained alike unheeded. The folly of economic nationalism, although deplored and denounced by nearly all, continued strangely enough to dictate the policy of nearly all. The inevitable result is the world as we see it to-day.

What is surprising is less that millions should be unemployed everywhere than that mankind should be able to continue to live without any increase in the death rate. That is surely due not to the economic policies of the Governments, but to the technical progress of industrial and agricultural production, on the one hand, and of public hygiene on the other. Progress in these fields has been such as to enable the world economically to afford the folly of its nationalism. But, given that nationalism which unfortunately as yet shows no signs of abating, it was clearly an illusion to hope that an international conference, even if it had been well prepared by all the principal delegations, could in a month overcome the depression or even lay the foundations for a future recovery.

v. Conclusions.

Shall we conclude our consideration of this topic, shall we conclude our whole study with the admission of the failure of internationalism? Only those who have followed me inattentively thus far could expect such a conclusion.

Let the nationalists who are content with the world as it is speak of the failure of internationalism. Let them who delight in the triumph of might over right, as exemplified by the Sino-Japanese dispute, let them who rejoice in the ever-increasing burden and threat of national armaments, let them who revel in the sight of abandoned farms, of empty workshops, of impoverished schools and universities, of suffering families, of armies of unemployed, let them all join in hymns of hatred to internationalism and in paeans in honour of triumphant nationalism. For nationalism is triumphant to-day, as is human humiliation, human anxiety, and human misery.

No, internationalism has not failed. What has failed is contemporary international statesmanship. It has failed because it has been unable or unwilling to practise that form and to engage in that measure of international co-operation which alone can save the world from the all too devastating evils and the all too obvious dangers of ruthless nationalism. What an internationalism too timid, too exclusively verbal, and too unimaginatively national has failed to give, we must demand of a bolder, wiser, and more generous conception of human relations. The League of Nations must go forward, from the modest beginnings of a Covenant too considerate of the traditions and prejudices of national sovereignty towards the goal of world federation. Let its shy friends become bolder and its impatient critics more realistic and more helpful. May our generation, which has already experienced miracles of destructive folly on every hand, live to witness and to perform the miracle of constructive wisdom which will unite all the peoples of the world into one living commonwealth of free nations.

CHAPTER III
DISARMAMENT AND SECURITY

by
W. ARNOLD-FORSTER

WHEN I had the honour to address the Institute a year ago on Disarmament my task was difficult enough; but it is much harder now, when many of us, hearing that thunderstorm outside, can imagine that we hear also the cracking of some of the foundations of civilization itself, out there beyond these walls of glass. A Great Power has left this Council table, after outrageously violating its Covenant, and now the other Members of the League, despite their Covenant, are failing to apply any restraining pressure, even to prevent still further conquests. Another Great Power has flung away freedom of opinion, is denying the most elementary of human rights, and is now leading its young men, even its children, into the way of war. In such circumstances I cannot hope that what I say will not seem to some of you too defeatist and to some too optimistic.

i. *The Objectives.*

First, what are the nations trying to do? They are trying to evolve a world commonwealth assured of peace and capable of justice: and two of the chief parts of that enterprise are general disarmament and collective security against war.

When I speak of security, I shall not mean the old conception of "security" which was simply an assurance for

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each nation that it could get its own way in the last resort. I mean by security the common assurance of all that the ties of peace are strong and that breach of the peace will be effectively prevented or stopped.

As for disarmament, I shall assume that the *ultimate* objective is to get rid of all armaments except those still genuinely required in special cases to prevent breaches of the public peace.

As for *immediate* objectives, the long disarmament discussions have indicated, I think, these four especially:

- (1) comprehensive *limitation* of armaments,
- (2) substantial *reduction*, with *no rearmament*,
- (3) collective *security* against war and war's equivalent and against evasion of disarmament.
- (4) *equality* of rights, in a treaty freely accepted and faithfully applied.

The World Disarmament Treaty ought to satisfy these four tests.

Obviously, the need to *limit* armaments, and so prevent competition, is most urgent. At present, land and air armaments are unlimited everywhere except in the four States radically disarmed under compulsion: in these respects, nothing concrete has yet been done towards honouring the pledges given fourteen years ago. As for naval armaments, some valuable beginnings were made; but France and Italy are still competing, virtually without limitations. Within the wide limits set by the London Naval Treaty, Japan and the United States are now starting a new building race, with immediate programmes costing nearly £100 millions between them: and if the American Navy Department's latest demand is granted, the annual expenditure of the

United States on naval construction for the next three years will average 108 million dollars, which is treble the average for the past decade. Even this increase will be well within the limits of the London Treaty; and if that Treaty is denounced or not replaced, the situation will soon become much worse.

Add to all this that scientific competition in new types of weapons continues unrestricted, and that the world is spending still on armaments an annual sum equal to one gold pound for every minute since Christ was born, and you will agree that comprehensive limitation is the most urgent need.

As for *reduction*, it is plain that we must quickly and drastically get rid of the enormous apparatus we have made ready in peace time for the sudden smashing of civilization. And as for '*no rearmament*', it is plain that we cannot hope for its loyal acceptance by the disarmed Powers unless those heavily armed will pay for it by drastically levelling down themselves; we cannot simply fall back now on the one-sided régime of 1919: no good supposing that we have only to crack a whip and say to Germany—'Back to your Versailles kennel'. Germany is a fellow-Member of a League based on *equality of rights*: and unless we now repudiate the detestable assumed division of nations into sheep and goats, we cannot hope ever to win loyal partnership in the peace-building from any German Government, whatever its political colour. Nor can we hope that France and others will concede the claim for equality of treatment or accept the limitations and reductions necessary to buy '*no rearmament*', unless they are reasonably assured against evasion of the disarmament engagements and against breach of the common peace. The equality must be within a system affording *security* of this kind to all nations.

ii. *Disarmament History.*

How far has the Disarmament Conference got towards satisfying these four claims?

Before examining the present position, let us briefly review the history. I will not say much about events between February 1932, when the Conference started, and July 1932, when the first phase ended: for I dealt with that last year.¹ When the Conference met, it had before it, you remember, a Draft Convention which was the outcome of long work, and which, though extremely defective, did return some helpful answers to some questions which had to be answered.

The first discussions showed general agreement that disarmament should be effected by stages, piecemeal, and that immediate effort should be concentrated on increasing the relative power of the defender against an attacker. Some States, such as Russia, Germany, Italy, and Spain, made radical proposals for this purpose, involving abolition of all or nearly all those weapons 'singularly calculated to assist attack against national defence' which had been prohibited for Germany. Others, such as Japan, Britain, France, and at first the United States, hung back. Finally, the Conference passed, by a majority of 41 to 2 with eight abstentions, the Resolution of July 23rd. That deplorable resolution, which I analysed last year, began with excellent affirmations of principle, but entirely failed to apply them: it left unresolved all the major issues and gave not the least satisfaction to the demand for recognition of the principle of equality of treatment. The Germans had pressed for this recognition day after day during the Conference and

¹ See *Problems of Peace*, Seventh Series.

for years before that: they had offered to accept as volunteers all the restrictions of Versailles and more, and to scrap even their famous pocket battleships if only the others would level down likewise: but now, faced by this Resolution which they had not helped to draft, and which provided neither disarmament nor equality, they declared that they could not undertake to continue their collaboration unless the equality principle were recognised before the Conference resumed its work.

So Germany walked out. It may be argued that Germany would have been wiser to show still more patience. However that may be, it was, I think, a misfortune that the French and British Governments, especially the British, did not show the understanding and courage to recognise earlier the justice of this claim. The case was unanswerable, the danger of delay was manifest, the peace movement of the world had long been pressing for this recognition. Dr. Brüning had fallen without having been accorded a single trophy to take home to his people: and now the British Government had waited so long that Germany had broken away. Passion was rising. As I said here a year ago, 'No part of the whole subject is so urgent as this. Every week that passes until satisfaction is given will afford further opportunity for militarist factions in Germany to claim that the other Powers are faithless and that nothing remains for Germany but to break away from the whole régime of 1919, assert for herself that equality of rights on which the Covenant is supposed to be based, and claim freedom to rearm.'

Effort had now to be directed towards getting Germany back to the Conference. In September, the British Government sent Germany a Note, which really went some way

towards recognition of the principle of equality; but the first half of the Note expressed such superior schoolmasterly reproof that it exasperated moderate German opinion and undoubtedly served as a recruiting agent for Hitler's forces. In November, the French and British Governments each published an important new disarmament plan, and in these the principle of equality was virtually conceded on conditions. On December 11th, a Five Power Declaration agreed that one of the guiding principles of the Conference should be the granting to the disarmed powers of "equality of rights in a system which would provide security for all nations".

So Germany came back: but Hitler had got his reinforcements. On 27 January, Chancellor von Schleicher declared that Germany was 'returning to the Disarmament Conference in order to achieve within the shortest time the conclusion of a disarmament Convention which would create equal security for everybody through the disarmament of the highly armed States. Germany's disarmament plan of 18 February, 1932, has shown how this aim should be achieved.' On the very next day, the intrigue against von Schleicher succeeded. He fell, and there stood Hitler at the door.

March came, and the Conference was in session.

The British Delegation submitted the new Draft Convention which we are going to discuss.

The German delegation, Hitler having become Chancellor, stiffened its attitude.

The American delegation, Roosevelt having been inaugurated President, was silenced for the time being.

The French delegation, under the temperate Daladier Government, was not scared into any fundamental and mani-

fest reversal of policy, though its attitude was naturally stiffened by the German development.

The Japanese delegation, whose Government had been condemned by the world's judgement as a Covenant breaker and was giving notice of withdrawal from the League, stiffened its demands for an increase of Japan's relative strength.

Deadlock was soon reached.

And then, in May, came the Roosevelt and Hitler messages, just in time to avert a breakdown. The President, you remember, proposed what amounted to a pact of non-aggression: and amongst other things he declared that the ultimate objective in disarmament should be the abolition of all the so-called 'aggressive' weapons—those which give a smashing advantage to the attacker; and he prescribed 'three steps to be agreed upon at the present discussions'. The first step would involve certain abolitions now, as broadly outlined in the British draft: the second would be 'to agree upon the time and procedure for taking the following steps': the third would be to agree that, while the first of these 'following steps' was being taken, there would be 'no rearmament'. That was widely understood as meaning that there should be agreement now on the 'time and procedure' for ultimate abolition of certain weapons, such as naval and military aircraft, within a fixed time-limit. And that was the sense in which Hitler responded.

Chancellor Hitler, in his Reichstag speech on 17 May, offered to forgo any claim to rearm now in the weapons prohibited to Germany at Versailles, 'if during the five years other nations likewise destroy theirs'. Thus he offered 'no rearmament', on the material side, subject to a general

levelling down on the same principles within a five-year time-limit. He offered to go further, if others would do likewise. Formally, you see, he was still holding, as von Schleicher had done, to the position taken by Dr. Brüning when the Conference began, with the addition now of a time-limit.

Frankly, don't you think that was a sound line for him to take?

So the Conference went on. The Germans made an important concession about organization of armies, and Mr. Norman Davis, for the United States, made an invaluable declaration to the effect that America would confer in time of crisis, and that if she was satisfied after due consultation that the peace to which she was party through the Kellogg Pact was being threatened or broken, she would not stultify the League's war-stopping measures. He declared emphatically that the United States would join in disarming down to the Peace Treaty level, the objective being to get 'as soon as possible, through successive stages, down to the basis of a domestic police force'. Unfortunately, he made no specific proposal for an agreement now on 'ultimate abolition of such weapons as military aircraft within a fixed period: he did not crystallize the Roosevelt-Hitler compromise.

June came; the Conference adjourned; the devoted Mr. Henderson, as President, started on a tour, to negotiate if possible solutions for the differences still outstanding. That is where we stand to-day. Now let us briefly review the present position, taking as our text the British Draft Convention.

iii. *The British Draft Convention.*

(a) SECURITY.

The first part provides for Conference in times of crisis, in line with the American declaration already referred to. This recognition of the principle of community of interest in the respect and preservation of the peace—the principle of Article XI of the Covenant—will be an immense gain. We must all hope that neither breakdown of the Conference nor opposition by Japan will prevent its full realization.

Other elements in the Security chapter will include a definition of aggression—a simple statement of those acts which may in no circumstances be done without incurring the charge of aggression. The majority of the Security Committee of the Conference drafted one statement, with the help of Russian proposals: and this has already been adopted by a number of European States. It provides, for instance, that that State shall be considered the aggressor which is the first to commit 'invasion by its armed forces, with or without declaration of war, of the territory of another State'. President Roosevelt proposed a very simple engagement and definition: an aggressor, he said, 'is one whose armed forces are found on alien soil in violation of treaties'.

It should be noted that this engagement would have a far-reaching effect on American policy as regards armed intervention in the Americas. It would also cut across the 'British Monroe Doctrine', which reserved 'freedom of action' in 'certain regions of the world' unspecified. I should like to see the Security Committee plan adopted. Failing that, I hope it will be admitted as an optional engagement, and that the Disarmament Convention will at least

include for all its signatories an engagement on the lines of President Roosevelt's proposal. Here again, though, Japan under her present régime is likely to present a formidable difficulty. Be on the watch, too, for any revival of that deplorable 'British Monroe Doctrine'.

(b) EFFECTIVES.

Next come the chapters on 'Effectives'. The 'average annual effectives' in the land, sea, and air forces are to be limited. There is a definition of 'effectives' and provision against military training of irregular forces outside Government control. The numbers of the European Continental armies of France, Germany, Italy, Poland, is to be 200,000 each: but France is allowed a further 200,000 for her colonial army, and allowances are also made for other Powers with colonial territories. As for organization, the European continental armies are to be standardized, so that they may be comparable; and the total period of service is to be limited to a maximum of eight months. 'For each man', the Draft says, 'the total period of service is the total number of days comprised in the different periods of service to which he is liable under national law or by the terms of his contract to perform'. That implies that these short-service European armies may be recruited either by voluntary service or under a conscription law.

Now, how does this plan answer to the four tests we suggested at the outset? It applies limitation in a field where none has yet existed: a great gain. It reduces the numbers in the heavily armed States whilst increasing the numbers in the disarmed States: but this is coupled with a great reduction of period of service. It is fair to say, I think, that it would greatly reduce attacking power, and

would not really amount to rearmament at all, *provided* that the plan is loyally carried out, that the reduction of men is not offset by an increase of the machines of war, and that the plan is properly completed. It would be a great contribution to equality of treatment, and would increase security against sudden smashing attack by highly trained men.

There are still very important points in hot dispute, e.g. about France's trained reserves and about Germany's huge irregular forces; I hope that the one incalculable factor will be written off against the other, and will not be allowed to prevent this very valuable agreement.

(c) LAND MATERIAL.

Now we come to the chapters on Material; and here I am afraid the story is very much less satisfactory.

First, the *guns*. Mobile land guns over 6 in. are to be scrapped within a fixed period. Guns over $4\frac{1}{2}$ in. and up to 6 in. may be kept without limit of numbers by those States which have got them, but may not be replaced. Guns up to $4\frac{1}{2}$ in. may be kept without limit of numbers. And 'coast defence guns', whether fixed or not, may be kept without limit of numbers up to the enormous calibre of 16 in., which is that of the largest naval guns.

This is profoundly unsatisfactory, though even this is better than the earlier drafts. The limitation of numbers is omitted, though it is perfectly practicable and most important. The reduction is altogether inadequate; Germany would be released from limitation of numbers of the $4\frac{1}{2}$ -in. guns, and if other Powers do not agree to abolish their 6-in. guns within a fixed period, she will probably insist on having some herself. As for the provision about coastal

guns, it is so unguarded that it might be used to stultify the whole scheme.

As for equality and security, imagine the position if Germany has only 4-in. guns of short range and all her neighbours can keep all their 6-in. guns, with longer range, which are the guns principally used for preparing modern attack until these wear out. Of course, the Germans will say that this is not equality of treatment at all.

The only adequate course is that indicated in the Roosevelt-Hitler compromise. Agree now on the 'time and procedure' for abolishing all the guns over 4½ in. There should also be limits on the numbers of guns retained, including the 'coastal defence guns', which should so far as possible be immobilized.

Next, as regards *tanks*. The British proposal is that these should be limited, as regards weight of the empty tank, to 16 tons; but when guns, crew, ammunition, etc., have been added, the weight would probably be about 20 tons. (That happens to be exactly the kind of tank now favoured by the British War Office, but not by the French). The British now propose a limit on numbers, but the suggested figures have not yet been supplied.

Here again the proposal is most unsatisfactory. The United States, Germany, Italy, Russia, and some twenty other nations demand abolition of tanks all round. Britain and France, and, presumably, Japan alone defend them. Let me give you Lord Hailsham's defence of this policy in the House of Lords. The expert view, he said, now favours a tank lighter than that used in the War, 'which will enable the infantry to be conveyed to the suppression of machine-gun posts without undue loss of life'. As for sudden smashing attack, 'from that point of view, the tank,

of course, is of no use at all, because if it advanced against any prepared fortified positions such as now exist along the whole eastern frontier of France, it would be annihilated and would be absolutely of no value'. Lord Hailsham omitted to add that the other side of that French frontier is German and de-fortified. Every word of his argument might be used by German militarists as an incitement to rearmament. (I might add that, whilst Lord Hailsham was speaking, the British armament firm, Vickers Armstrongs, was actually advertising tanks for sale, in a military journal in Berlin.)

I suggest to you that, instead of keeping this 'protection to human life'¹ on both sides of the frontiers, it would be a far better contribution to true security to abolish it on both sides. It is doubtful whether France will accept the British limit of 20 tons; and I can see little hope of avoiding a perilous rearmament by Germany unless we adopt the Roosevelt-Hitler compromise in this respect. I hope you will help to spread understanding in England of the responsibility that the British Government will take if it continues to insist, against so great a volume of world opinion, on a policy that runs directly counter to the principle of 'qualitative disarmament' and that must mean rearmament.

I will pass over the question of limiting numbers of machine guns and rifles, and come to the naval chapter.

(d) NAVAL MATERIAL.

The Draft seeks to do two things in particular: (1) to hold the position gained by the London, Washington, and

¹ 'In a small voluntarily enlisted army like our own' the tank 'contributes an essential compensation for lack of numbers and a protection to human life which it would be impossible to surrender.'—British Disarmament Plan, 17 November, 1932.

Versailles Treaties, so that the situation is not aggravated until 1935, when it will all be reconsidered; and (2) to bring Italy and France into the limitation scheme of the London Treaty. I will only say about this now that the deferment of decision is at least preferable to the earlier British proposal for an agreement now permitting replacement of huge capital ships: that the plan is criticized by the smaller naval Powers on the ground that it takes too little account of their position: that its provisions about France's building programme for the next four years will come under fire from French critics; and that, unless the present challenging policy of Japan is radically changed, agreement in 1935 will very likely prove impossible.

I should like to see all the warships in the world got rid of, including all submarines, except some surface ships of low tonnage for an international 'gendarmerie' of the high seas. They need only be sufficiently powerful to deal with an armed merchantman.

(e) AIR MATERIAL.

As for the air, there is first the proposal that the act of bombing from the air shall be prohibited 'except for police purposes in certain outlying regions'. This reservation has, as you know, been almost universally condemned. In the Conference, Britain was alone with Iraq and, I think, Siam, in supporting it: France and the United States declared impressively against it, and the expressions of opinion against it in England have come from every quarter. The bombing weapon is cheap, probably relatively bloodless, and, in some respects, extremely efficient, as a means of doing, in countries difficult of access—well, whatever terrorism can do. But the case against its retention is overwhelming: I hope and

expect that case is familiar to you; I hope and expect, too, that the reservation will be withdrawn.

Then comes the question—what is to be done about the air weapons? That is infinitely more important than any prohibition of the act of bombing. The Draft says that the Permanent Disarmament Commission

‘shall immediately devote itself to the working out of the best possible schemes providing for:

‘(a) the complete abolition of military and naval aircraft, which must be dependent on the effective supervision of civil aviation to prevent its misuse for military purposes:

‘(b) alternatively, should it prove impossible to ensure such effective supervision, the determination of the minimum number of machines required by each High Contracting Party . . .’, etc.

It is proposed that, to facilitate these objects, the Powers which at present possess naval and military aircraft (but not the disarmed Powers) shall limit their air forces in the following way.

Some of the larger aeroplanes (those over 3 tons, unladen, except troop-carriers and flying boats) are to be abolished by the end of the Convention’s period. The aircraft retained *in commission* are to be limited to certain numbers, e.g. five hundred each for Britain, France, Italy, Japan, Russia, and America, with a further 25 per cent in ‘immediate reserve’. The remainder are to be ‘put out of commission or otherwise disposed of’. Note that this does not mean that the extra aeroplanes must be destroyed; it does not even, apparently, preclude their being kept as a sort of third reserve.

This plan represents, I imagine, a compromise between two opposing policies. One the one hand, there are those who desire abolition of all naval and military aircraft as the

only hope of averting disaster from the air, and who would promote this by internationalization or international control of civil air transport, at least in Europe. On the other hand are those who are shocked at the idea of scrapping the British air force ('eyes of the Fleet', etc.), and at the idea of pooling the British air lines ('our unique Imperial needs', etc.), and who would like to buy for Britain, at a cheap price, numerical parity with France. The compromise leaves a beautiful aspiration in the hands of the abolitionists; but it leaves the trump card in the hands of the retentionists.

What constitutes 'effective supervision of civil aviation to prevent its misuse'? My fear is that the Air Ministry experts will always be in a position to block abolition by claiming that this or that plan of supervision is not, in their opinion, 'effective'.

There is, I believe, only one policy which can really satisfy the tests we laid down, about true security, equality, and no rearmament. That is, to agree now on abolition of all naval and military aircraft within a fixed period—five years, say, or even ten—and to couple this with internationalization of civil air transport, at least in Europe. I believe, after some study, that if there were the will, it would be perfectly feasible to complete a practicable plan of internationalization within three months or so, and that that would be much better than supervision, for various reasons. And, if necessary as a price for buying total abolition of the national forces, I would be prepared to support in this one case the creation of a small international force of fighting planes, to serve as a check on abuse of civil air transport.

I believe, too, that if Great Britain had come out boldly for this policy last May, it could have been put through—so great a victory of reason. And I am convinced that

unless we do agree now on abolition within a fixed period, Germany will claim freedom to rearm in the air. Is it not lunatic to suppose that we can defend civilization against air attack by preparations for reciprocal air attack?

(f) CHEMICAL WAR

The chapter on Chemical weapons, which embodies substantially the findings of the Chemical Commission, is a valuable attempt to deal with preparation as well as use of chemical, incendiary, and bacterial weapons. Certainly it is much better than any such draft hitherto. It leaves openings for abuse; and whilst the special provisions for supervision should do much to prevent such abuse, I expect it will be found to need amendment in future, e.g. by developing international control over the chemical industry. But we had better hope that this chapter will go through with little or no change.

(g) PERMANENT DISARMAMENT COMMISSION.

The chapter on a Permanent Disarmament Commission provides for a body of Government representatives, one from each State party to the Convention. There is provision for *special* investigation on the spot, in the event of alleged breach of the Convention, and for *periodic* investigation as regards those States which make a special agreement to this effect. I very much hope that this optional agreement will be made obligatory and general, so as to increase confidence in the Convention's loyal application. Failing that, I hope that our respective countries will be among the first to come into the optional agreement.

The Disarmament Commission will have, amongst other tasks, that of preparing the new naval disarmament scheme,

the scheme for air disarmament and supervision, and the next Disarmament Conference.

This part of the Draft ought, as I say, to be strengthened. But even as it stands it can contribute enormously to the growth of that 'positive security' which is the outcome of mutual confidence and of collaboration for a common purpose. You remember the significant words of M. Deladier, 'Security is control'. But that confidence will not grow overnight: if a new loyalty is to grow, we shall have to exercise any amount of forbearance in dealing with old loyalties. Remember, for instance, that in Germany the years of the Allied Control Commission, enforcing the one-sided disarmament scheme of Versailles, have left bitter memories.

(h) TERMINATION OF THE CONVENTION.

I must not stop to discuss some of the other controversial points of the Draft. But note the last three articles. One provides for a future Conference to prepare and conclude a new Disarmament Treaty, to replace the present one and carry on its work of reduction and limitation. Another provides that the new Treaty shall supersede the disarmament chapters of the Peace Treaties: so that this will be henceforth the common obligation binding upon all.

The proposed duration of the treaty is five years. I gather that France is likely to insist on some trial period before making any reductions of material, and that the total duration should be longer than five years. So this may prove a crucial point.

There remain two great issues not dealt with in the British Draft because the Committees concerned with these matters had not at that time reported.

(i) EXPENDITURE.

First, expenditure. Two proposals are under consideration: one for limitation, the other for mere publicity. I think France is absolutely right in pressing for both; and I regret extremely the present opposition of the United States delegate to limitation of total expenditure, and the opposition of Germany, apparently Great Britain, and a few others. Limitation of total expenditure has been shown by the exhaustive work of the Expenditure Commission to be practicable and in a high degree reliable. It is a most valuable counter-check and supplement to direct limitation, and affords the only means of checking competition in type and quality.

(j) ARMS TRAFFIC AND MANUFACTURE.

Lastly, there is the traffic in, and manufacture of, arms. The Committee concerned deplorably failed to extract any agreement of value out of its discussions on this crucial subject. Like France, Spain, Poland, Denmark, I want, as I expect you do, to see all manufacture of arms for private profit suppressed, not only because of the evils which have been shown to result from such profit seeking, but also because the private industry supplies certain countries with a rapid capacity for expansion of arms-production in time of crisis. Every War Department would like to know that there is at hand a large private industry which it can draw upon quickly, for purposes of a fully-equipped campaign. That industry can be kept happy, at no immediate cost to the home State, by having orders from foreign States; so that (as was frankly avowed by an arms manufacturer, in a recent official inquiry at Washington), it is to the interest

of these firms to have 'trouble' going on always in some part of the world. To maintain this 'cheap and elastic' production-capacity is to defeat the first purpose of disarmament—which is to put obstacles in the way of the striking of a sudden, fully equipped blow.

If we cannot get suppression of private manufacture—and I am afraid we cannot yet, owing partly to British opposition—then the least we should look for should be a prohibition of private manufacture except on Government orders, authorized by the State, published through the Disarmament Commission, and kept, of course, strictly within the limits of the Disarmament Convention.

iv. *A Policy.*

Now, what conclusions shall we draw from all this?

Another speaker, for whose judgement I have deep regard, has previously expressed to you the view that in present circumstances disarmament should be put in cold storage, and, in effect, that we must fall back for the present on the Versailles bonds for Germany and upon the warning conveyed through the armed supremacy of France. I must put another view.

I believe that Chancellor Hitler does not want war—yet. I believe, though, that in certain respects his policies lead to war, that many of his own and his colleagues' declarations about vast expansion in the East have implied war and the disruption of Poland, and that young Germany is being rearmed and is being deliberately directed towards war and fed on hatred and revenge.

I believe, too, that we have only begun to realize the perilous character of the challenge of Japanese militarism which has been inexcusably given so free a run by the Great Powers.

In these circumstances, it is obviously problematical whether any Disarmament Convention worth twopence can now be made. But I am convinced that we have here, almost within grasp, a Convention which, with all its defects, would yet be an immensely valuable achievement for the whole world. And I believe profoundly that to slacken in our effort now would be a betrayal.

As regards the German challenge, two courses are open to us. We might say: "We will agree now to standardize Europe's continental armies, and we will agree now on ultimate abolition, within a fixed period, of the weapons prohibited at Versailles (at least as regards 6-in. guns, tanks, and war-planes). But, owing to apprehensions that have been aroused, we are compelled to stipulate that the greater part of these actual reductions shall take place in the latter part rather than in the first part of the Treaty period, and that there shall be rigorous investigation and supervision for us all from the start. The curve of material disarmament should be flattish at first, steepening quickly in a few years' time.'

The alternative course would be to say: 'We believe you are rearming now. We do not trust your intentions. We have no intention of reducing our own armaments by one iota unless and until you prove to us that you have put away all such thinking. You are bound by the régime of Versailles and you will stay bound indefinitely, under penalty of economic sanctions, unless and until we choose to release you. Meanwhile, we keep every weapon that we prohibit for you.'

Of those two courses, both are perilous; but in my opinion, the second is bound to lead to disaster. The worst error we could commit now would be to arm Hitler with that argument, irresistible and just, which he has been waiting for. 'Look', he would say, 'these people in the last resort

do not mean to keep faith. I offered them acceptance of the Roosevelt-Hitler compromise. I offered Brüning's programme of levelling down, and more. They reject it, because they mean to deny to us for ever an equal right to such "security" as they claim for themselves. In the name of the German people, I declare that the Disarmament Chapter of Versailles has for us lost all moral validity, and that Germany cannot consent to collaborate any more in a League of Nations which countenances such a discrimination.'

Isn't that what would probably happen, if we chose the second course?

I am not so sanguine as to suppose that any Treaty which we can hope to get accepted in present circumstances will be sufficiently drastic in its reductions to deprive Herr Hitler of opportunity for exploiting its inadequacy as a grievance. But I do believe that we are still, for a short time, in a position to withhold from Hitler any reasonable pretext for rearmament; we can still do that if we will courageously go farther than the British Draft Convention, along the road indicated in the Roosevelt-Hitler compromise. We ought to offer to the world a treaty which can be commended to enlightened world-opinion as an honest and very substantial instalment of progressive disarmament; and soon, when supervision and control have done their work of reviving confidence, we ought to get down to the level referred to by Mr. Norman Davis as that of a 'domestic policing force'. The Draft Convention, strengthened on the lines I have suggested, offers a means of taking that first step. It is almost within grasp. And the worst disservice we could render to disarmament would be to lose heart or slacken effort, now at this latest stage of the long effort.

One other word. You and I are free to discuss these subjects candidly, and to influence our Governments. But remember, we have the responsibilities of freedom—responsibilities especially heavy now, when freedom dwindles. Let us not undervalue that precious freedom. Let us not neglect the opportunities it gives, and which it is our duty to use to the utmost if we would save for our civilisation the ways of freedom and justice and mercy and peace.

CHAPTER IV

THE MANUFACTURE OF ARMS AND THE
ARMS TRAFFIC

by

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i. *The Fundamental Importance of Control*

A GREAT many of us, deeply interested in the problems of disarmament, have for a long time ignored the importance of arms manufacture and traffic. It certainly was the case with the League of Nations Societies and a great many of the pacifist groups, who, while giving some polite attention to the question, considered it as a separate and secondary problem. Official quarters did nothing to dissipate the error. A convention had been passed in 1925 controlling the traffic in arms but was of small value, and during eight years has not yet received a sufficient number of ratifications to be brought into force. Committees worked year after year on the question of the private manufacture of arms; the conclusions of the majority amounted to nothing. Both questions (i.e. trade and manufacture) remained outside the scope of the preparation for the Disarmament Conference, and the Draft Treaty of 1930 did not include a single article on the matter of manufacture and traffic.

Opinion has now changed, for many of us are fully convinced that private manufacture with its present freedom from control is the main obstacle to disarmament, and that

its control or its suppression must be put in the forefront of the work of the conference. Some delegations sharing these views have made proposals to that end, and more and more public opinion as expressed in resolutions of international societies is showing its increasing concern. What are the reasons for this change? What are the new facts or the old facts forgotten and recalled? What minimum solution must we fight for?

These are the few questions which I shall try to answer.

ii. *Article 8 of the Covenant of the League.*

First of all, I want to remind you that the fifth paragraph of Article 8 of the Covenant reads as follows:

'The Members of the League agree that the manufacture by private enterprise of munitions and implements of war is open to grave objections. The Council shall advise how the evil effects attendant upon such manufacture can be prevented, due regard being had to the necessities of those Members of the League which are not able to manufacture the munitions and implements of war necessary for their safety.'

To American people it is a matter of interest that the first Wilson draft had a much more radical tone:

'The Contracting Powers further agree that munitions and implements of war shall not be manufactured by private enterprise or for private profit.'

This paragraph first disappeared in the David Hunt Miller draft, which was taken as the basis of discussion in the Committee of Nineteen. It was reintroduced by Lord Cecil and President Wilson in the fourth meeting of the Commission with only the change *shall* to *should*, and

the addition of a phrase 'directing the Executive Council to advise how this practice can be dispensed with'.

Reasons for this weakening were obvious: First, the suppression of the private arms industry was of such character as to warrant some transitory measures; second, the adoption of a Portuguese amendment, which reads in part as follows:

'Due regard being paid in such recommendations to the necessities of those countries which are not able to manufacture for themselves the munitions necessary for their safety.'

This additional change to the main proposition already adopted was to have a very great consequence. It is worth while emphasizing from what quarter came, at that time, the only objection to the radical condemnation of the private manufacture of arms—from the small States depending upon private industry in foreign countries.

Let us consider Article 8, paragraph 5, as it now stands. I beg you to notice that the Covenant mentions in this paragraph only the manufacture by private enterprise not the manufacture by States, nor does it mention the traffic in arms. Traffic in arms was considered in two other articles of the Covenant, but very clearly not as a part of the general problem of disarmament, only as a matter of co-operation on the part of colonial countries:

In that part of Article 22 which concerns the Mandatory states in Central Africa reference is made to 'the prohibition of abuses such as the slave trade, the arms traffic . . . '.

In Article 23 the Members of the League agree that they 'will entrust the League with the general supervision of the trade in arms and ammunitions with the countries in which the control of this traffic is necessary in the common interest'.

iii. Moral and Political Objections to Private Manufacture.

What were the grave objections to the manufacture of arms by private firms on the part of the authors of the Covenant? First of all we must admit that there was a moral prejudice against it. We only have to remember how deeply public feeling had been roused in different countries during the war by the profits made by certain firms. There is no need, however, to revile the manufacturers; for years they had been told that they were the backbone of national defence. In the years 1914 to 1918 the importance of their activity appeared still greater: armies and navies implored them to make new efforts, every facility was given to them, prices were hardly discussed, and they rightly claimed a part in the final victory. Yet, when the Tommies somewhere in Flanders or the Poilus of Verdun compared their own sufferings and risks with the profits earned by the few and noticed that the heavier their losses and their gains the bigger were the orders delivered to the arms firms, there was bound to arise an intense feeling, even in the most conservative mind.

This feeling became still more violent when the soldiers of different armies realized that the private arms firms had not confined their work to national defence. Germans before Antwerp met guns from Krupp, the French at Salonica were shot by guns from Creusot bought in France with the help of a French loan. British industry had on its side helped to arm the Turkish fleet, just as the Germans had the Russian. One need not be a radical to find this shocking.

There certainly was a feeling of the kind in the hearts of those who in January 1919 drafted paragraph 4, Article 8

of the Covenant, but the execution of this met with no small difficulty. The Permanent Military Committee appointed by the Council of the League was first entrusted with it, but when the generals and admirals who composed it met a year later they bluntly declared that it in no wise affected the States not disarmed by treaty. When a year later the same question was brought before the new consultative body, the Temporary Mixed Committee, the answer was different.

The moral aspect just described was not the main criticism formulated by the Temporary Mixed Committee against the private arms industry, but rather the political implications. They found that:

1. Armament firms had attempted to bribe government officials both at home and abroad.
- (2) Armament firms had disseminated false reports concerning the military and naval programmes of various countries in order to stimulate armament expenditure.
- (3) Armament firms had sought to influence public opinion through the control of newspapers in their own and foreign countries.
- (4) Armament firms had organized international armament rings through which the armament race had been accentuated by playing one country against another.
- (5) Armament firms had organized international armaments trusts which had increased the price of armaments sold to governments.

In other words, the corruption of officials, abuse of the Press, collusion to increase sales and raise prices were the political activities of the armament firms. These 'peccadilloes' the Committee unanimously took the responsibility of denouncing, and had only to recall the last years before the war to illustrate their contention. For example:

Corruption of officials.—The scandal in Japan following the revelation of the bribes received by the heads of the navy from a Krupp agent. The uneasiness caused in different armies by the personal link existing between the great armament firms and political quarters; that is, officers passing to and from the army and navy, from or to the private firms. The presence of members of parliament, ministers, bishops, among the important shareholders of arms firms.

The corruption of the Press.—This was established at least with regard to the French Press through the publication by the Soviets of the report of a diplomatic mission. Some years before in the Reichstag a letter had been read in which the director of the Press had instructed his agent in Paris to persuade the French Press to praise French superiority in machine guns so that the German Government might more easily secure from parliament an increased military appropriation.

International co-operation between firms.—It was evident that the success of a firm within a certain country stimulated the success of firms in other countries. Also in those countries without arms industries the big firms of the world divided the spoils between them in order to prevent any dumping, to keep production costs as low as possible and prices as high as possible. The brotherly assistance given to Proboloff after 1905, not only by the French firms but also by the British and German ones, was a memorable example.

iv. *The Temporary Mixed Commission.*

In concluding its work the Temporary Mixed Commission agreed to certain principles which they recommended as a basis for an international convention on the national contro¹

of the private manufacture of arms, munitions, and implements of war. Their decision was not unanimous. While the minority composed of the four Labour members expressed their preference for an international control, the majority suggested only a system of national licences granting to the holder an unlimited right of manufacturing war material of the kind described. They recommended that legislative measures should organize full publicity as to the relations between firms and the Press, and prevent the simultaneous exercise of a legislative mandate by the director or manager of a private enterprise engaged in the manufacture of war materials holding contracts with the State.

With regard to the traffic in arms, the Commission had made some progress, and the Council was able to call a conference where a convention was adopted.

v. *The Convention of 1925.*

The Convention of 1925 contains 41 Articles, but since the object of the Conference which drafted it was to prevent export to certain zones of Africa and Western Asia, very radical reform could not be expected. Indeed, the greater part of the Convention concerns the questions of zones. Yet there were some clauses which were of a broader scope. I mention only the more important ones:

Article 2 provides for a system of national licences, such licences for export being granted only when the export is addressed directly to a government or to a public authority subordinate to it and on presentation of the order in writing from the importing governments. Each licence stipulates a description of the nature and quantity of the arms exported.

Article 6 provides for publication not of the licences but only of the general statistics of the trade in arms between governments.

There is no need to dwell much longer on this Convention. It has not come into force because, according to the *Official Journal* of 1933, it has not yet been ratified by the United States of America, Czechoslovakia, Italy, Japan, Switzerland, and some other manufacturing States whose adherence was declared necessary by the British Empire, France, Sweden, and Denmark.

vi. *Work of the Council: Draft Convention of 1929.*

In 1926, when the question of private manufacture came again before the Council, the members seemed to have forgotten the main reasons for the work begun and decided to gather new information from the Governments about the evil effects of private industry. The result was not surprising. The same Governments which had accepted the Treaty of Versailles including the Covenant and Article 8, and in some instances the same statesmen who were in office in 1919, when asked about the motives which were in their minds at that time seemed to have been struck with amnesia. All the replies coming from countries having private manufacture were unanimous: no evil effect had ever been heard of.

Only one or two small States, customers of the big foreign firms, had the taste to complain about their recent experience. The Government of Latvia declared in its reply that according to its own experience:

‘(a) Agents, after having sold arms out of date which they praised very highly, then emphasized all the imperfections of these arms, in order to sell new material, which led to useless accumulation of stocks.

‘(b) In some cases competition between neighbouring States had been provoked by private arms firms.

‘(c) Firms in different countries had secret understandings in order to maintain very high prices leading to excessive profits.’

The Cuban Government declared very frankly that the history of Latin America provides many instances in which friendly countries have armed themselves in order to attack one another thanks to the facilities offered by the private manufacture of arms and trade in arms . . . which brings the latter under the ordinary rules of supply and demand like any other branch of production.

But such discordant voices were not listened to. The Big Powers preferred to stand firm on their own reassuring declarations. So the question of the private manufacture of arms, freed of responsibility as to evil effects and the different abuses with which it had been reproached, was sent to a special small Committee. After three years, in 1929, this Committee drew up a Draft Convention which was to have been discussed by a Conference especially called for that purpose.

If the results of the previous work were meagre nothing could be expected from a work carried on at the time when the Preparatory Commission for the Disarmament Conference had renounced both budgetary limitation and direct limitation. The Draft Convention of 1929 was worth exactly what the Draft Disarmament Convention prepared at the same time by the Preparatory Commission was worth—nothing. It does provide for licences, but these are general and not intended to indicate either a limit of the quantity or the destination. Only the name of the licensee is required and an indication of the kind of material which he is allowed to manufacture. There is also a provision for publicity but only of the total quantities with indication of the value.

vii. *The Disarmament Conference.*

What were the circumstances which led to the reappearance of both the manufacture and traffic in arms as part, and I think everybody agrees as an essential part, of the general treaty in preparation?

(1) New facts due to the happy imprudence and audacity of the arms industry.

(2) The drastic change in the technical aspect of disarmament and new reflections on the conditions of control.

The new facts were of such kind as to persuade the most sceptical of the need for drastic intervention. I know how people are generally incredulous before the oratory of Socialists and pacifists about the sins of capitalism or the responsibility of 'the red international of armaments' in the preparation of war. I myself, though a Socialist and a pacifist have always tried to accept as an axiom the general good will of the peoples of the world to find a way out of the many difficulties which still are in the way. Discussion cannot go on with people in whose good faith one cannot believe. I am sorry to say the experience of last year does not allow us to keep that benevolent attitude of mind. I doubt that consciously men, born of women, having lived through or heard of the monstrous struggle in which humanity bled for four years, would be able to favour the outbreak of hostilities. But consciously or not they are doing everything that may hasten it.

You know the facts well enough.

(1) The Shearer case of 1927: that successful campaign of suspicion made during the Naval Conference at Geneva in 1927 by an American, a so-called representative of a few patriotic

groups, who after an inquiry by a Senate committee confessed to have received many thousands of dollars for his nasty work.

(2) The cynical Press campaign in France against Briand and his peace policies carried on by papers owned by Schneider or groups related to it, a campaign which led the great Frenchman to the well-known declaration that the pens of those who fought the League were made of the same steel as that with which guns were moulded.

(3) The everlasting Chinese civil war which according to the statement of Victor Lefebure has been assisted and was partly created by huge armament supplies from Western nations.

(4) The Skoda campaign which led Rumania to the brink of war against Russia, which denounced that country as preparing for aggression and assured important orders to the big arms manufacturers of Czechoslovakia and ended with the suicide of a Rumanian general when the scandal was discovered and denounced.

(5) Last but not least is the financial assistance given to the Hitler movement in Germany by heads of the Skoda-Schneider consortium.

Whether we like it or not, the situation is now such that everybody who desires the lasting success of the Disarmament Conference must count, now and later, on the decided and cynical opposition of an important part of the financial and industrial interests of the world—and take measures to meet it.

And yet it may be that the moral and political reasons for drastic measures to reform the present state of things would not have sufficed if careful consideration of the problem of control had not led to the statement, which, though not recognized by some States as such, appears to me as a truism: that it is a mere farce to pretend that you limit the armaments of States if, within or without the boundaries of such States,

individuals or private companies are allowed to possess or prepare in unlimited quantities material which has no other reason for existence than to be sooner or later used as armaments by States at war. I ask my readers to consider if they would advise their own countries to reduce their armaments to a certain level corresponding to that allowed to States of similar importance, if they were at the same time ignorant of the stocks detained or prepared for the same States in unlimited number by private firms inside or outside their boundaries.

The logical necessity of interfering with private industry appears still greater once you adopt the principle that the reduction will be not only quantitative but qualitative, that some material will be not only reduced but altogether prohibited. To allow private factories to make tanks or guns of the highest calibre would, of course, amount to nothing less than to assure violation of any agreement in case of war, and quite probably by the aggressor.

There is no doubt that the change of attitude of the Disarmament Conference, concerning the technique of disarmament, has greatly helped to illustrate at the same time the possibility and the necessity of taking more drastic measures than those heretofore contemplated with regard to the manufacture of arms. But the explanation would not be complete if I did not add that had it not been for certain changes in the point of view of some delegations due to national political events, no new move would probably have been made. I allude to the change in France. The elections of 5 May, 1932, which put an end to M. Tardieu's Government, were certainly the decisive factor behind the new French attitude. France now took the lead in the fight against private manufacture, and was

strongly supported by the Spanish and the Poles, and also by the Danes. That is important, for Denmark is certainly one of those States 'not able to manufacture the whole of munitions and implements of war necessary for its army'. Nor are probably Poland and Spain. Yet they did not hesitate to support the suppression of private manufacture. They knew, in fact, that they would lose nothing of their independence if they were obliged to order material from foreign governments instead of foreign firms which were nearly always supported by the government. The only difference would be a lessened pressure. The opponents were the United States, the British Empire, Italy, Germany, and Japan, and I regret to say my own country. Belgium blundered because of the important interests of our national industry.

The discussion was passionate and was continued before the General Commission where the Danish delegate, Mr. Borberg, made a very eloquent attack. Mr. Norman Davis also did not hesitate to express his repugnance that 'citizens of the respective countries should continue to make profits in the production of weapons designed to create human suffering'; that 'the situation should exist in which there were persons to whose financial interest it was to oppose mutual understanding, to oppose measures for the reduction of armaments, and even to foment misunderstanding and sow the seeds of discord'; that 'profit of any kind should be made out of sufferings inflicted on others'. His objections, however, were mostly of an economic character. He maintained that most private arms firms combined the production of war material with manufacture of other products, so that State monopoly would involve a very expensive acquisition of factories and dockyards, and high costs of production.

The argument was perhaps convincing. It ignored the fact that a State might not necessarily take over the enterprises but only rent them for the time of manufacture of war material. Or governments might organize manufacture under a system of 'requisition' to which even foreign States might be entitled if so provided for by international regulation. The difficulty of reform, however, was thereby clearly pointed out.

Much less important, but graver, were the objections of the British delegation, which seemed mostly concerned about the rights of the private manufacturer. The entire speech indicated a smaller comprehension of the problem, of which we had proof in the fact that in April 1933 the otherwise valuable proposals of Mr. MacDonald did not include a single article on the problem of arms manufacture and trade. Also in former months the British Government very deliberately refused to answer the questions put about private manufacture, contending that it was useless to give the names of firms since all were more concerned with peaceful production. France at the same time gave a list of 109 such enterprises, and the United States of 60.

In the meanwhile public opinion has begun to be concerned, and delegates of disabled soldiers from all over the world last spring delivered before the Disarmament Conference a solemn demand for the abolition of the private manufacture of arms.

viii. *A Suggested Solution.*

Is there still hope of getting abolition in the next Convention? I fear not, but we must energetically demand international regulation, the principle of which the American Delegation has solemnly accepted.

The solution is clear enough :

(1) With regard to Trade in Arms, the Convention of 1925 may prove of great usefulness if slightly reinforced. Of first importance would be the principle that export be permitted only to governments; it would not only prevent civil war, but it would give a meaning to arms statistics which do not now give any indication of the real addressee, the negotiations for arms being made often enough by intermediaries as has been recently acknowledged by China.

In order to agree with the general lines of the Treaty the licences must indicate not only quantity and kind of material but value, so that the total imports of a State may be compared with the expenditure to which that State is entitled.

Last but not least, the licences must be communicated to a central international body, if not for approval at least in order to give time for objection. It has been suggested by the Polish Government that for this purpose there must be a certain delay between the granting of the licence and the time of export.

(2) The Draft Convention of 1929 must be redrafted. There is no need why the State having arms factories on its territory should have greater facilities. We will get nothing from a system of general licences giving authority to this or that person or company. What we want and are not getting, so far as I know the many schemes recommended by the Convention, is to know exactly for what State arms are manufactured. Here, too, we should know both the quantity and the price and have the orders verified by a central international body before they are executed. We have nearly all of this in the Opium Convention. Why not here?

If we ask for some international control supervising the national authorities, is it not justified by the fact that the only consumers are governments themselves and that no infraction may happen except for the benefit and with the consent of governments?

This second proposal is found in the Resolution of the Plenary Congress of the Federation of League of Nations Societies held in Montreux this year.

(3) Lastly, we certainly must extend the system of control to State manufacture. The States which have a system of State monopoly will understand that in case of disarmament every State will have the right to know at once what quantity of war material is manufactured in State factories. Let all States interested in control prove their good faith and good will by their readiness to accept for themselves the necessity of giving an account.

There you have, very briefly, the general outline of the solution I recommend. I know it does not directly put an end to the grave objections denounced by the Covenant, and I would not be sincere if I did not express my deep hope that in later years we may realize President Wilson's original proposition. I have not the same enthusiasm for the possibility of putting an end, by legislative measures, to the corruptive influence of arms firms on the Press and on political quarters.

I firmly believe, however, that if we get a good general Treaty—and that means first of all for me if that Treaty offers the possibility of putting an end to speculation in arms—a serious blow will have been given to the arms industry, and that industry will lose some of its attraction for those whose only interest was profit.

CHAPTER V

PUBLIC OPINION AND THE LEAGUE
OF NATIONS

by

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i. *The Nature of Public Opinion.*

WHEN I addressed this Institute on previous occasions I faced it with a certain confidence. I felt that I knew what I was talking about—however imperfectly I may have conveyed that impression to my audience. But on this occasion I am not in that happy position.

Public opinion is the subject allotted to me. But what is public opinion? I do not know of any satisfactory answer to that preliminary question. I can imagine someone making an immediate reply and saying—‘That’s all nonsense. There is a public opinion among your audience at this moment: there is a public opinion that this is a very poor lecture’. If so, it is a public opinion which I should be the first to share. But what *is* this public opinion? We know what it is about, but that does not enable us to say what it is.

It’s no use saying that it is what a number of people think when they think the same thing. That only amounts to saying: (1) that people think, and (2) that their thoughts sometimes coincide. I suppose according to the laws of probability that must happen more or less often, but it can quite clearly happen without producing what we call public

opinion. Thus all we can say is that there is something which it is convenient to call public opinion: we can sometimes recognize its presence; we can go further, though with less certainty, and affirm what it is about; but we do not know what it is.

This, of course, is nothing new in human experience. There are many things with whose presence we are familiar but of the nature of which we are ignorant—gravity and electricity are two examples. But they are not very helpful examples because although we do not know what they are we can measure and even predict their results. We know enough about them to be able to use them so as to produce the results we desire and therefore we can presume that they have an existence. Moreover, they have this quality, that used any number of times in the same way they produce the same results. We have no means of knowing whether that is true of public opinion. We talk of a strong public opinion or of a weak public opinion, just as we talk of a strong or a weak current—in fact, we frequently refer to the current of public opinion. But that doesn't bring it into the same area of knowledge as the electric current with which we so easily compare it.

Yet, when we have said all this the fact remains that we do think of public opinion as the working force behind our democratic institutions. We may not know what it is but we do think it exists, if as nothing else then as a working hypothesis on which to explain certain phenomena of government.

ii. *The Nature of the League.*

I have been asked to deal with Public Opinion and the League of Nations, and since it seems difficult to avoid the

mists of metaphysics if we start with Public Opinion, let us see if we cannot discuss the problem more profitably if we begin at the other end.

What as a working structure is the League of Nations? It consists of a certain number of States, between fifty and sixty, organized under the Covenant of the League of Nations, Part XIII of the Treaty of Versailles, and the Statute of the Permanent Court of International Justice, for certain common purposes. It is not a supernational government. It is an association of States to pursue, under these three Charters or Constitutions, a policy of international co-operation. This is not necessarily a weakness. We are, I think, tending towards world 'government', but society is changing so rapidly that it does not at all follow that world government, if and when it is achieved, will be represented by the transference of some or all of the powers now exercised by national governments to an international government. That, however, is another question which we cannot now pursue.

For the moment the League is a co-operative association of States. This should and does mean the institution of two systems of co-operation, co-operation between States and States and co-operation between the States and the League. But the two systems are not on the same basis. The co-operation between the States and the League is somewhat onesided. The League cannot interfere with the authority of the States, but the States can interfere with the authority of the League. It is co-operation as defined by the pedlar in Wall Street who set up a stall to sell hot-dogs in front of the National Bank. He was approached by one of his friends who asked for a loan. 'Can't be done', said the vendor of hot-dogs. 'Why not?' asked his friend.

'Because of co-operation', was the reply. 'You see, when I set up my stall here I had to approach the Bank and we agreed to co-operate.' 'How do you mean—co-operate?' asked the disappointed borrower. 'Well, you see, it's like this', was the reply. 'The Bank, they agreed that they wouldn't sell no hot-dogs, and I agreed that I wouldn't make no loans.'

It would be somewhat of an exaggeration to compare the League to the street vendor, but it is less of an exaggeration to compare the relative powers of the Wall Street Bank and of its humble parasite with the relative powers of the States Members and of the League itself. But the mere fact that the States have powers which they jealously refuse to surrender makes co-operation all the more necessary, and in fact indispensable.

iii. Results and Failures.

Now what results has that co-operation given? It may be argued, and with justice, that they are considerable. In the case of the League the greatest results are probably negative and therefore incapable of measurement. We cannot count the wars that did not take place, the graves that were never dug, the mothers and wives that are unbereaved. We can only, from the knowledge of certain cases of settlement of disputes, form a certain valuation. We can add to that a long list of important constructive achievements in the fields of administration—Dantzic and the Saar, for example, and the supervision of the Mandates, and of other less direct achievements in the realms of Health, Transit, Opium, and so on.

The Court has functioned as well if not better than most national Courts.

The International Labour Organization has seventeen Conferences to its credit, of which sixteen may be considered to have been wholly successful.

But unfortunately the League is not a business. It cannot strike a balance sheet. A multiplicity of successes does not outweigh two or three failures. It is no use saying we succeeded in Dantzig even if we failed with Disarmament: minorities and mandates cannot be weighed against our monetary muddle, nor the record of the Court compensate for economic chaos. Perhaps the League will yet solve the economic and disarmament problem. It is too soon to despair. But we must admit, and I think it is not open to doubt, that the States have not co-operated successfully in these two fields of Disarmament and Economic Organization.

It would take us too far afield to examine in detail the Conferences which dealt with those subjects. But at the risk of being considered prejudiced, I think it is worth while to compare their failure to achieve results with the unbroken series of successful Labour Conferences—it is particularly worthy of note that this year's Labour Conference, held at the peak of the crisis, with a heavy agenda of the first importance, carrying on under the blow which the whole Labour Organization suffered from the death of Albert Thomas, and faced with a political crisis of the first order, has yet every claim to be the most successful Conference the Organization has ever held. I know, of course, that I shall be told that problems like Disarmament and Economic Organization are in a different class from Labour problems, that they involve a play of interests and passions and high policy which render them particularly difficult. I am ready to admit that, with certain qualifications, but I still think

that it is worth while looking at the record of the Labour Conferences if only to be quite sure that no suggestion of method or procedure cannot be found which might be helpful.

iv. *Special Features of the Labour Conference.*

If we do so look, we shall be struck by three things. The first is the composition of the Labour Conference. It contains, as you know, non-government delegates, delegates representing the two interests immediately concerned—employers and workers. They are there in equal proportions, and in voting power when they differ they cancel out. But their presence means two things. It means that the Conference has within itself the people who are going to be affected by its decisions: it must hear their views as equals and it must decide in their presence. It does not hear a deputation from them or listen to an echo of their opinion from afar. It cannot lose itself in the by-ways of logic or the subtleties of face-saving compromise. It must, willy nilly, face up to the issues before it, and it is perhaps because it cannot retreat that it has always emerged victorious.

I saw something that reminded me of the Labour Conference once in the Disarmament Conference when the representatives of the Ex-Service Men and the Mutilés de Guerre came and stated their views to Mr. Henderson and the assembled Delegates. It was a tremendously moving occasion which no one who witnessed will ever forget. But one had the sensation that to some of the delegates this was an intrusion not wholly welcome. The spectacle of these men, bearing the physical marks of their sacrifice, and the passion with which they demanded that the Conference

achieve its object, was somewhat out of harmony with all the lengthy fencing round policy and prestige. One wonders whether the Conference would not have made more progress had they stayed.

But even if they had stayed and if, as a consequence, the Conference had reached definite and far-reaching decisions, those decisions would have been no more than proposals for ratification by the Governments. The Governments would have had to consider them, but if they did not like them they might by negotiation through diplomatic channels have proceeded to water them down. That danger is, as we shall see, avoided in the case of the decisions of the Labour Conference.

The second thing is that a Labour Conference is only asked to do something which a Conference can clearly do. In other words, it is asked to say 'yes' or 'no' to a decision. A conference of two hundred members can no more write a treaty than two hundred artists can paint a picture. That was recognized in the Disarmament Conference when the Delegations gave up trying to hold the brush together and tried holding it in turn. But the result, although better, was not successful. The mere fact that the British artist was satisfied with his picture was enough to convince the other delegations that it must be wrong. A right decision with a national label attached to it is almost impossibly handicapped from the start. In the Labour Conference, the draft decisions which the Conference takes as the basis of its discussions have no national label: they are the work of the international staff.

The third thing about the Labour Conference which differentiates it from the other League Conferences is that it is geared in with the national parliaments. There is a Treaty

obligation to lay its decisions before parliament. They cannot be accepted or rejected by a ministerial or even a Cabinet decision. The national representative body must take its responsibility of giving a decision which is 'yes' or 'no'.

It is, of course, true that parliaments have turned down labour conventions. This presentation to Parliament within a time limit does not ensure acceptance, but it does ensure two things: a public decision and the necessity of either accepting or refusing the international proposal—another watered-down edition cannot be put in its place.

Here, then, are three ideas suggested by the experience of the Labour Conference which would seem to deserve consideration. Before conferences are condemned as a method of world co-operation, and that is a danger which is very real at present, we should surely ask ourselves three questions. Are the conferences rightly composed? are they asked to do what a conference can be reasonably expected to do? and should they not be given some more definite relation to the States with whom lies the power of ultimate decision? But even if our conference machinery and method were perfect, the conference decisions would not be operative of themselves; the real decision, the decision to accept or reject them lies with the States. Even where conferences have been successful the amount of action on their decisions leaves much to be desired, and must be a matter of grave pre-occupation to every believer in the necessity for effective international co-operation.

v. Public Opinion Within the State.

This brings us to the critical problem of action within the State. It is in the State that the fundamental difficul-

ties in the way of effective international co-operation arise. If we want to find the solution of these difficulties we must look for it in the States rather than in Geneva.

It is difficult to discuss this problem of action in the States because there are so many differences between them. I believe, however, it is possible to put forward certain considerations which are generally true. It will be simpler however if, when it is necessary to give examples, I talk in terms of British institutions with which most of you are familiar. When we think of the States Members of the League we think of them as the units of which the League is composed. In that sense they are units, but if we look below the surface there is very little that is unitary about them in any other sense. I may, of course, be told that they are legislative units, that in each of them there is a legislature which makes the law by which all the citizens in the community are bound. I have tried to show elsewhere¹ that although this was once true, it is no longer so. The House of Commons no longer makes law in many spheres in the sense of deciding what the law is to be. It can say that it will not agree to a law that is laid before it, but it is steadily losing its power of deciding on the content of the law. In other words, it is coming more and more to have little more than a function of veto. By whom, then, are the laws *made*? They are made by the Minister, assisted by Civil Servants, in consultation with the organized interests concerned. Take the case of a factory act. It is drawn up by the Home Office in consultation with the organizations of employers and workers. Suppose a large number of Members of Parliament object to it; suppose

¹ Vide article in *Foreign Affairs*, January 1933 on 'The International Civil Service'.

they think that the employers are going to be unduly hampered in their operations. Their view may, of course, prevail. But if it does, what happens is not that the Home Secretary proceeds to alter his Bill to meet the desire of a majority of the House: what happens is that he drops the Bill. In other words, the House has exercised a veto, not a law-making activity.

This is, of course, a very rough and ready description, subject to many qualifications. It is more or less true according to the subject of the legislation under consideration—more true where the subject is technical and where the interests concerned are organized, and less true where the subject is general and the interests affected have no special organization. But in modern society the proportion of technical legislation is steadily growing, and as it grows this transference of legislative power becomes more marked.

If it is true that this is what is happening, and if it is true that public opinion is the motive force of the democratic State, then we are forced to the conclusion that there is not one public opinion which acts on Parliament but that there are a series of public opinions. When the action of Parliament is positive it is usually in response to a public opinion which exists within the interests concerned. The action of Parliament may not of course go the whole way: it may represent a compromise between the fractional public opinion and the general public opinion—but that is a question of the quantity of the action. The source of Parliament's action is the fractional opinion.

So that, if we think of constructive action in a democratic State, what is really important are these fractional opinions. In what do they consist? Of the opinions of a certain number of citizens who have a common interest, and who

have an organization for expressing their considered view. A fractional or group opinion to achieve results must, however, get the consent of the general public opinion. It is necessary therefore to push our analysis a little further and attempt to determine what is the structural relation between these fractional opinions and the general opinion. It is here that the difficulties are considerable. The fractions are not distinct. They are not distinct because any citizen may belong to a whole series of groups. A typical member of a group may be, for instance, a lawyer by profession, Church of England by religion, a Liberal in politics, a racegoer for his amusement, a shareholder in the mining industry, a member of a co-operative society, and a member of the League of Nations Union. In so far as he contributes to the public opinion of one of those groups he is probably affected by his membership of one or more of the other groups. And his links with these groups do not by any means decide his opinion in any one of them. Each citizen has his individual background of family, or school, or university, and he has also his daily and his weekly newspaper, which may have different tendencies, and perhaps a special confidence in one or more public men to whose opinions he pays considerable respect.

vi. *The Indispensability of the Politician.*

If one tried to make a map of all these intersecting influences it would be something very complex, something like the map of the wiring of a modern electrical machine. And if you tried to make larger maps of the group and then of the whole community you would get something which no living man could hope to decipher.

The astonishing thing is, however, that there are people

who, though they do not actually trace the kind of map I have described, can find their way about the country of opinion of which the map would be a survey. They are called politicians. In the curious and relatively unexplored land of opinion they somehow succeed in treading, if not with complete security, with at all events only such a proportion of disasters as does not discourage a steady flow of recruits to their ranks. How they do it I do not profess to know. But they do do it, and in doing it they perform an indispensable task without which the democratic State could not function. Group opinions are being, so to speak, emitted all the time. Somehow or other the politician tunes himself in and gets the messages, and trims his sails according to his judgement of which are important.

This phenomenon, though it is extraordinary, is not isolated. Sailors are able to do something not wholly dissimilar. I remember once coming up the English Channel in a sailing yacht. All day we had been sailing with light and variable winds, out of sight of land, and about midday we ran into a thick haze and the wind dropped. The owner, who was an enthusiastic amateur navigator, had been amusing himself establishing what is called a dead reckoning. He had allowed, on his chart, for the distance run in this and that direction, for the tides, for the currents, for leeway, and so on, and had established to his own satisfaction where we were. He announced the result of his calculations to the paid skipper, a fisherman who had no use for charts and who was quite incapable of using parallel rulers. The skipper looked vaguely at the water and at the sky and then, after a moment's silence, shook his head and said: 'We be about off Hastings.' Half an hour later the haze cleared, and there was Hastings right abeam. This

is not wholly dissimilar to what happened about two years ago when Great Britain ran into an economic and financial fog and certain politicians who were quite incapable of reading statistical charts announced: 'We be about off gold', and events proved that they were right.

It is important to examine the action of the politician a little more closely for he is not just a passive 'receiver'. The action he takes, or to continue our metaphor, the course he decides to steer, has an effect on the opinions he responds to. Here we reach the difficult problem of leadership, which of course is a problem in itself but which cannot be left out of account in any attempt to understand public opinion. For our purposes it will be perhaps enough to say that it is the nature of the group which fixes the field or sphere in which it will formulate opinion. (It is unlikely, for instance, that a golf club will discuss the rules of chess.) The leader (who must of course be what I have called a politician) fixes the direction, that is, the questions within that field on which opinion is to be formulated and the kind of decision to be taken. And it is the group which then settles how far in that direction it is prepared to go.

vii. *The Press and Public Opinion.*

You will perhaps wonder why, in this discussion about public opinion, I have said practically nothing about the Press. The reason is that the opinion of the Press is not public opinion. It may be mistaken for it, or reflect it, or influence it, but it is simply a confusion of thought to identify the one with the other. There is a story which will save a lot of exposition. It is recorded, I know not with what truth, that the Sultan of Turkey one day sent for his Grand Vizier and said: 'This campaign in England and

Scotland carried on by that man Gladstone about my methods of governing Armenia is becoming really annoying. The British Ambassador keeps on coming to see me at all hours. I have received him politely more than a dozen times, but to-day I lost patience and told him that if he kept on I must regard the action of his Government as unfriendly. I gave him a piece of advice. I told him that what his Government ought to do was to treat this man Gladstone as I treat my troublesome Armenians, and then we could all live in peace and tranquillity. But would you believe it, the Ambassador made a most humiliating confession. He told me quite confidentially that it was not Mr. Gladstone's fault, and that if his Government were to put Mr. Gladstone in a sack and drop him in the Thames it would make no difference! In England' (and here it reported that the Sultan could not repress a shudder), 'it is the people who govern the Government. I told him I was not convinced that, horrible as that was, it ruled out my remedy. The people, left to themselves, would worry about taxes. But why should they worry about Armenia? To that the Ambassador replied that the English people could read' (here the Sultan shuddered again) 'and that therefore they formed what he called a public opinion before which any Government must bow down. They read, it seems, a paper called *The Times*, and *The Times* is more extreme on the subject of Armenia than even Mr. Gladstone. Now', said the Sultan, 'that we know the way in which England is really governed it is quite easy to deal with her. Here is £200,000 in gold. Go to England secretly and buy *The Times*'.

Some months later the Grand Vizier returned to his Royal Master and made his report.

'I rejoice to inform your Majesty,' he said, 'that my mission has been wholly successful. I think I can guarantee that Your Majesty will have no more trouble. Your Majesty will, however, pardon me if I have ventured to depart from his instructions on a point of detail. I felt very greatly the responsibility of expending so large a sum as that with which Your Majesty had entrusted me, and in view of the well-known duplicity of British diplomats I thought it well to check very carefully what the Ambassador had told you. I therefore made a careful search for this public opinion of which he spoke. It is true. It exists all over England. It is, in fact, a system which is reflected in the physical structure of the country. In the towns, and even in the villages, wherever there is a street of houses, the end of one street and the beginning of the next is marked by a special kind of house called a "Public-House". It is in these public-houses that the citizens meet to form the public opinion of England. It is no wonder that the Government is afraid of it, because the enthusiasm of the citizens for meeting is extraordinary. Your Majesty will hardly believe it, but they meet for hours every evening, and it is often difficult to make them go away when it is time for the establishment to close.

'I visited these public-houses all over the country and I made an important discovery. In not one single one of them, Your Majesty, did I ever see a copy of *The Times*, and I was informed on the best possible authority that *The Times* is never read in these public-houses. But, Your Majesty, in every one of them I found another newspaper, a paper which I am assured is to be found in every public-house in Great Britain. The duplicity of the British Ambassador became clear to me. His story was true in all points but one. He wanted to lead Your Majesty to spend immense treasure in buying the wrong paper. But my inquiries enabled me to confound his trickery. Your Majesty is now the sole proprietor of the *Licensed Victuallers' Gazette*.'

I am not sure that that is really a humorous story. There was a period in English politics when the politicians of an important party were convinced that the brewers had a greater influence than the Beaverbrooks; whether that is still so I am not competent to discuss.

I will not say more about the Press now, save to repeat that, important as it is, it does not constitute public opinion. A 'good Press' or a 'bad Press' is not even an infallible guide to what public opinion is. But a 'good Press' or a 'bad Press' does influence politicians and therefore public opinion. What is much more important is probably that it is through the Press that the public gets its facts, the facts upon which it forms its opinion on a particular issue. That problem was dealt with at a previous session by Mr. Paul Scott Mowrer, and to his paper I must refer you.¹

viii. *The Representation of Public Opinion at Geneva.*

I have, of course, by no means exhausted the list of elements which would require detailed consideration in any complete attempt to describe all the factors that interplay in the formation of public opinion, but it is time to return to my main argument. We left it so far back that I will make no excuse for recalling it. It was that we must look for the solution of the difficulties of international co-operation not in Geneva but in the States. That means that somehow or other we must find means of getting public opinion to concern itself with international co-operation.

If my analysis is at all true, the first of these means is clear. It is that a group must be formed which has as its purpose the expression of an opinion on international co-operation. That is the justification of a League of Nations

¹ See *Problems of Peace*, Sixth Series.

Union. If there were no group, there would be in all probability no opinion. The next task of that group is, having decided on its own attitude on any question of international co-operation, to influence, through pressure on Parliament or in any other way, the Government, since it is the Government which defines the policy which the country is to follow at Geneva. If that is not its task, then it has no *raison d'être*. Although the point is obvious, it is important, because not very long ago members of a certain Government expressed the view that it was the Government, and the Government only, that could decide policy in matters of international co-operation, and that therefore no group was entitled to express an opinion on what the Government policy should be. The fact that the view put forward by the Union happened to be nearer to the views of another political party opposed to the Government in question was irrelevant, but it was dragged in in order to accuse the League of Nations Union of being a party organization.

It is, I think, probable that the controversy would never have arisen if the question had been concerned with a domestic affair. The protest was therefore understandable, even if it was not justified. The formation of national groups concerned with international co-operation is in fact a political phenomenon of great importance. It carries democracy into the last stronghold of non-democratic authority. In fact, until the League of Nations Unions came into existence, democratic government was nowhere more than democratic Home Rule.

If then it be the task of the Unions to influence governments, how are they to do it? Clearly by influencing public opinion through any or all of the channels we have

attempted to explore—and by others that I have not mentioned. I think we can take it that the League of Nations Union is doing all that can be done in that direction; and it would be presumptuous of me to attempt to advise experts who give their whole time to just that problem and who have achieved a measure of success which is a proof of the value of their methods. What I think I can do without presumption is to attempt to deduce from my analysis what might be the place of League of Nations Unions in a better organized world.

It is idle to pretend that the results achieved, as the machine is organized at present, are sufficient—the Disarmament and the Economic Conferences are the proof to the contrary. Professor Zimmern once defined our democracy as a system of society which had not yet found its appropriate institutions. What should be the place of a League of Nations Union among the appropriate institutions of a democratic State? There is, first of all, the question of status. It is evident that the influence of the Union will be greater the higher the status that public opinion in general accords to it. In England the Union has already a considerable status. It is no longer regarded as a society of cranks. Parliamentary candidates pay attention to it. But it certainly has not the kind of status that is possessed by the Trades Union Congress or the National Confederation of Employers' Organizations. The appropriate status in my view, would be something like that, and would carry with it the extension to the Union of that system of consultation which we have seen Workers' and Employers' Organizations enjoy when the Government has under consideration questions affecting the interests they represent. The only obstacle that I can see is prejudice, the prejudice

that Foreign Affairs—a very wrong description of international co-operation—is a matter of high policy to be carefully shielded from public interference. I would venture to suggest that it should be one of the aims of the Union to break down that prejudice. Once public opinion in general realizes that high policy is always, or almost always, concerned with low issues, and that Foreign Affairs have vital and detailed domestic repercussions, public opinion in general will demand that its leaders shall be consulted in those fields just as well as in any other. This will then tend to carry with it the almost inevitable next step of representation, representation of the League of Nations Union in Delegations to general League Conferences, just as employers and workers are represented in International Labour Conferences. It may be noted that no legal difficulty arises and that this could be accomplished by a stroke of the Foreign Secretary's pen.

The next logical development would be to allow the International Federation of League of Nations Unions to appoint a representative or representatives who would sit at the table of the Council and take part in Council discussions. This of course is more difficult, but it need not necessarily involve an amendment of the Covenant, since it is not essential that these representatives should have a vote. Precedents exist as regards the Chairmen of League Committees, and there is nothing which need prevent the Council taking the decision if the States Members agreed. And then, as a corollary, the Secretariat would be led to consult with the International Federation as it does with the governments.

I don't suggest that all this is a programme which can be immediately achieved, nor that it is the only programme.

What I do suggest is that the League of Nations Unions, while continuing their present work of education and influence, should also devote attention to the structure within which their work can become most effective.

If I am told that my own tentative proposals are revolutionary, I can only reply that I do not think so. I am only suggesting an extension of well-tried practices to a new field. If I am told that the authority and dignity of governments would be undermined, I should answer that in the case of governments those qualities are not absolute: they are measured by the success with which governments govern. In the absence of effective international co-operation no government can really govern at all, because the 'framework of order' which it is its function to produce will be constantly upset by external events beyond its control or influence.

If some such system as I have indicated could be evolved, the real authority of government would be increased and not diminished. The red blood of public opinion would pulse freely through the organs of the League, at present starved of that lifegiving circulation, and those organs, thus enabled to play their real functions in the body politic of the world community, could make a new and vital contribution to its health and vigour.

CHAPTER VI

RECENT TERRITORIAL DISPUTES BEFORE THE LEAGUE OF NATIONS

by

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I HAVE been asked to consider some recent territorial disputes before the League of Nations and the Permanent Court of International Justice. What I have to say on that subject will be in the nature of an introduction to what will follow, and I must pause to say that during the course of the last year Mr. Lester, as the representative of the Irish Free State on the Council of the League of Nations, has borne a very large responsibility in dealing with territorial disputes before the Council. He has borne that responsibility in such a way as to reflect great credit, not only upon himself, but also upon the Irish Free State and the Council of the League of Nations.

i. *The Changing Map of the World.*

I suppose if there is one lesson of history which stands out as clearly as any other, it is this: that the map of the world is not static. All of us are accustomed to think of geography as we may have learned it in school. We are accustomed to certain kinds of international boundaries; we are accustomed to certain colours on the map for each country, and we carry through life a notion that the map has always been as we learned it in school and must always

be so. One encouragement to that attitude, perhaps, is the fact that so few map-makers ever date their maps. Somehow the map-makers seldom feel it necessary to tell us the date on which their map was made and published; yet a very little experience of such things convinces one that the maps have a way of changing themselves very rapidly indeed, and a map which served for general purposes when I was a boy in school would not serve the same purpose to-day.

It is a natural human trait to desire to regard certain questions as settled, and perhaps for the lifetimes of most of us many international boundaries in the world can be said to be settled. Yet if one compares the map of to-day with the map of fifty years ago, I think he must agree that nothing is more changing from generation to generation than the colours on the maps. In connection with territorial arrangements, great importance is to be attached to the element of stability. It seems to me that a bad boundary between two States is far better than no boundary at all. One does not need to have great experience in territorial adjustments to realize that there is hardly such a thing as an absolutely just boundary. There are certain factors to be taken into account, but the precise value to be attached to one factor rather than another is extremely difficult to estimate.

Now there remain in the world, and perhaps there will always remain, certain territorial areas of discord. They are to be found to-day in almost every continent. We hear a great deal in Europe to-day about the revision of treaties. There are places in Africa where the territorial situation is most uncertain. There are places in Asia where rectifications are constantly being attempted. In North America,

we have had numerous territorial boundary disputes in the course of the last hundred years, and in South America the boundaries in many places are still in a state of great uncertainty. The great changes in the map, of course, came during the course of that hundred years in which many new territories were being occupied, especially the new territories in North America and in South America, and more recently in Africa. One would like to think that most of the territory of the world is to-day occupied, or at any rate allotted as between States; yet that can hardly be true when one has read only within the last few weeks that France is now proceeding to the occupation of certain islands in the Pacific and is declaring that occupation so that other countries may know about it.

ii. *How are Changes to be Effected?*

There is, then, a big problem in international relations, and a problem from which one cannot escape: how are the changes in the map to be effected? We can foresee that changes are inevitable; and the great question for us is: how can those changes be made? For me it is a problem both of international law and of politics, perhaps more a problem of politics than of law.

The method by which changes have been effected in the past has frequently been the method of war. A war, however, does not assure a just boundary, and looking back over the course of history one cannot say that wars have produced final territorial adjustments between States. I think everybody will agree, quite apart from an interest in a particular dispute, that war is the most unsatisfactory method of settling a boundary between two States. It is

always most uncertain; one never knows when he begins a war how he is going to end it, and one can never be sure that a boundary established as a consequence of a war will endure.

iii. *The Method of Arbitration.*

In the course of the nineteenth century we began to develop the method of international arbitration as a means of adjusting territorial difficulties. That means was employed by the United States and Great Britain in drawing a long three-thousand mile boundary between the United States and Canada, and on the whole I think one must say—though there were many difficulties, though there were frequent periods when there was talk about war between the United States and Great Britain on account of this question—that a fairly satisfactory boundary has been drawn. In spite of success with a number of arbitrations during the course of the last century, however, few States came to be willing before the end of the century to enter into very far-reaching agreements to arbitrate their territorial difficulties. Even down to 1914, the style prevailed in arbitration treaties of reserving from compulsory settlement matters relating to national honour and vital interests, and it was always supposed that a territorial dispute did relate to national honour and to vital interest. Therefore, though the method of arbitration was considerably developed during the nineteenth century, one could hardly look forward at any time prior to 1914 to a peaceful settlement of territorial disputes by means of arbitration.

iv. Effect of the Covenant.

Now the Covenant seems to me to be a new factor in dealing with such problems. In the first place, the establishment of the League of Nations and the establishment of the Permanent Court of International Justice have had a profound effect on the development of arbitration treaties. States are willing to-day to enter into arbitration treaties which only twenty-five years ago—a short period in history—would have been thought to be beyond the wildest dreams. Nobody would have suggested in 1914, before the beginning of the war, that States should enter into such arbitration treaties as Switzerland, for example, or Finland, has made during the course of the last few years. We have made a great advance in agreements to resort to pacific settlement. I do not say that these agreements are altogether satisfactory to-day; there are still some weasel phrases in them. We have dropped the phrase about ‘national honour and vital interest’, but we have introduced some new phrases which may have somewhat the same effect. The Covenant also has had an effect, I think, upon the extent to which it is now thought to be proper for two States to resort to war for the settlement of their differences. In this respect I think one must say that our generation has made a very decided advance. A half-century ago, a war for the settlement of a territorial difference was not generally condemned by public opinion in the countries not engaged. War was not then a last resort to the extent that it is to-day; a freedom was left to each State which to-day we think altogether improper and undesirable.

Now if the Covenant has brought about this change, what is the machinery which we have to-day for settling territorial differences?

v. Present Methods of Settlement.

In the first place we have the method of arbitration, which is by no means dead and which is frequently taking place outside the *cadre* of the League of Nations and the Permanent Court of International Justice. Only a short while ago the United States and the Netherlands arbitrated a territorial dispute concerning the Island of Palmas in the Pacific, and the island was awarded to the Netherlands without any feeling on the part of the American public that the United States was somehow losing territory which it ought to have. A short while ago there was an arbitration between France and Mexico with reference to Clipperton Island in the Pacific. During the course of this year we have had a most successful arbitration of a very difficult and troublesome international dispute between Guatemala and Honduras; in an award handed down early this year, an arbitral tribunal drew a boundary between Guatemala and Honduras, and at the February meeting of the Council of the League of Nations the representative of Guatemala announced to the Council the successful termination of a long territorial dispute. Arbitration, then, is still a method of dealing with territorial disputes.

In the second place, we have now what we did not have only a short period ago—the Permanent Court of International Justice. In the course of the last years the Court has dealt with some territorial disputes quite successfully. For instance, it gave an advisory opinion to the Council concerning a boundary dispute between Poland and Czechoslovakia, which was settled in accordance with the Court's opinion. However, I think one must say, even though he is a staunch friend of the Court, that the Court cannot be a very busy agency in handling territorial disputes. The

law of the situation is seldom in doubt when two peoples are engaged in a controversy over a territory, or if it is in doubt the peoples themselves are unwilling that the dispute should be settled merely according to law. In the Leticia case, about which I shall speak in a moment, the law of the case was perfectly clear, and one of the parties in that controversy said, 'It is true that we are bound by a treaty, but we want the treaty modified. The treaty is unsatisfactory as it stands'. For my part, even foreseeing an extensive development of international law, I believe that law does not afford an adequate means of dealing with territorial disputes.

The third agency, then, upon which reliance must be placed, is the Council of the League of Nations, and there are three features of the work of the Council to which I would call attention in this connection. In the first place it is extremely important, when any dispute becomes acute between two peoples, that there should be some place in the world where their representatives can sit down around a table and talk about the subject of their difference. It may be a situation, such as I have seen in Geneva, which is so acute that representatives of the parties could not meet in a restaurant, that they could not meet in any normal meeting place; but they can meet, perhaps, at the table of the Council of the League of Nations. That is a most important thing; it compels the parties to the dispute to state their cases openly so that other peoples may know about them. In the second place, it is very important that when this meeting takes place neutral influence should be brought to bear upon the formulation of the difference between the disputing States, and it is precisely that neutral influence which the membership of the Council is designed to furnish. In the third place,

it is most important, I think, that the matter should be discussed in a place where war is not to be thought of as a possibility of settling the dispute, and the Covenant of the League of Nations affords that guarantee if the discussion is conducted in the Council.

In the course of these years the Council has been developing a technique of handling international disputes, and I commend most earnestly to every person interested in international relations to-day a careful study of the technique which has been followed by the Council up to date. I think we need to study the methods followed to see where they are weak and where they are strong. In the course of these years the Council has had some very great successes in dealing with international disputes. I always regarded the case of the Aaland Islands as one of the outstanding examples of the usefulness of the Council. There was a situation which at one time became quite acute, which called for patient handling over a long period of time, and in the end a solution was reached which has since proved quite satisfactory. A few years ago there was the case of Mosul before the Council of the League of Nations, and I recall a meeting in this room when my friends in the corridor were talking about the possibility of a war the next day. The Aaland Islands case and the Mosul case have both passed into history; both of them were handled by the Council of the League of Nations in such a way as to produce acceptable solutions.

With this introduction, I want now to deal with three recent disputes which have come before the Court or the Council, with a view to laying before you the basis for beginning some study of the value of these agencies for dealing with territorial disputes. The first case with which

I shall deal is the Eastern Greenland case between Denmark and Norway; the second is the Leticia case between Colombia and Peru; and the third is the Chaco case between Bolivia and Paraguay. The Eastern Greenland case was before the Permanent Court of International Justice; the two other cases were before the Council of the League of Nations.

vi. *The Eastern Greenland Case.*

Greenland has had some connection with Norway and with Denmark for several hundreds of years. I suppose few people would contest the statement that the Norwegians first discovered Greenland and first began to develop it by establishing some settlements. When Norway was joined to Sweden in 1814 under the Treaty of Kiel, Greenland was not ceded, as the territory of Norway was ceded, and the Treaty of Kiel of 1814 did not apply to Greenland. The claim of Norway or Denmark in that period may have been a somewhat doubtful one, but throughout the nineteenth century there was little trouble about Greenland, neither country desiring to be very active in its exploitation. Since the early part of this century, however, both Denmark and Norway have desired to proceed with the development of the Eastern Coast of Greenland, particularly, and Denmark made a determined effort some fifteen years ago to have her sovereignty extended in Greenland and to have the extension recognized by various States of the world. The Norwegians have contested that claim now for a number of years, and finally, in 1931, the Norwegian Government published a Proclamation for effecting the occupation of Eastern Greenland and declaring that it was Norwegian territory. A year

later, in 1932, a similar proclamation was issued by Norway, concerning South-Eastern Greenland. In other words after many years of dispute the Norwegian Government suddenly took the final step of declaring Norwegian sovereignty over certain parts of Greenland. The territory had an importance both for the Norwegians and for the Danes. To be sure, it is a somewhat barren country, but it has some resources which may be exploited, particularly for fishing purposes.

The dispute was the kind of case which very clearly affected the national honour and vital interest of the two countries engaged. It was the kind of case which one hundred years ago would easily have led to a war; it was the kind of case which only twenty years ago States were unwilling to agree to arbitrate. But what happened when Norway made her proclamation? Within two days after the Sovereignty of Norway was proclaimed, Denmark had deposited with the Registry of the Court at The Hague an application asking the Court to declare the Norwegian Proclamation to be void. The Danes did not wait; they did not allow the dispute to smoulder; they did not let public opinion become inflamed in Denmark as a consequence of Norway's action: they promptly acted to take the case before the Court for a decision according to law. Under the optional clause attached to the Statute, the Court had jurisdiction to deal with the case whether Norway came or not, though its jurisdiction was at no time contested by Norway. Both Governments immediately began their preparations for the Court's dealing with the case. They employed expensive Counsel who presented elaborate briefs covering a history of Greenland during seven hundred years. The Court devoted forty-nine separate sessions to the hearings.

On 5 April of this year, the Court handed down its judgement declaring that the Norwegian Proclamation was invalid and that the sovereignty of Eastern Greenland belonged to Denmark, the judgement being adopted by twelve votes to two. What did Norway do? Within a few days, the Norwegian Government cancelled the Proclamation of Occupation which had been issued in 1931. Not only that, but it promptly cancelled a similar proclamation issued in 1932 relating to South-Eastern Greenland, and it withdrew a separate case which was before the Court relating to South-Eastern Greenland. There, it seems to me, is a beautiful example, an outstanding example, of the twentieth-century way of dealing with an international dispute. Both Denmark and Norway are to be congratulated on the excellent way in which they have handled that dispute. They have set an example to the rest of the world, and in all history there is no more useful example of the wisdom of pacific settlement of international disputes.

vii. *The Leticia Dispute between Colombia and Peru.*

I now pass to a second case: the Leticia dispute between Colombia and Peru. There is a large territory in the northern part of South America which has long been in dispute. There are a few people living there, most of them of Indian extraction. The territory is very remote from any centres of population, and there are few means of transportation for entering or leaving. One can fly in by aeroplane, but one cannot go in by railroad, and it takes many weeks to make the journey by water. A part of this territory has been disputed for many years by Colombia, Peru, and Ecuador—I mention the claim of Ecuador in passing, but I shall not deal with it in talking about the

dispute. In 1922 Colombia and Peru entered into a treaty for dividing the territory between themselves. So far as Colombia was concerned, it was felt to be important to have access to the Amazon River, and therefore a small strip of territory was given to Colombia on the Amazon, connected by a narrow strip with the main part of Colombia's territory. The result was that the Treaty of 1922 gave to Colombia what is called 'the Trapezium of Leticia'. Great difficulties arose regarding the ratification of this treaty. There was some feeling in Peru at the time that Colombia should not be given this strip of territory which had been regarded as Peruvian. In 1925 a Conference was held in Washington, at which the two countries agreed to bring the Treaty into force, it being agreed at the same time that the Brazilian boundary should be fixed with Colombia on the east. In 1928 the treaty between Colombia and Peru was brought into force, by which Peru either ceded Leticia to Colombia or Peru recognized Leticia to be Colombian territory—there may be a considerable importance to be attached to the difference between those two things. A slight territorial rectification was to be made in favour of Peru, to the west of this territory, and difficulties later arose with respect to it. On 17 August, 1930, Colombia took possession of the Leticia Trapezium under the Treaty of 1922. Just about a year ago, the port of Leticia, on the Amazon River, was invaded at night by a number of Peruvians—not Peruvian forces but Peruvians—who drove out the Colombian officials and took possession of the town. Now the town is a small hamlet of some three to five hundred people; it has no churches, no schools, no public buildings of any kind. It is therefore a very primitive sort of place. It is important because of the access which it affords to the Amazon River.

The Peruvians having seized the place, there was at once a great resentment in Colombia. The Peruvian Government hesitated a bit, but found opinion so strong that after a few days it was impossible for the Government to disavow the action of the Peruvians. President Leguia, under whom the Treaty of 1922 had been put into force, had ceased to hold office by this time, and his opponents in control of the Government were by no means favourable to the settlement which had been reached with Colombia. Between September of last year and January, then, a very threatening situation developed between those two peoples. It seemed at many points as if a war were inevitable between Colombia and Peru. Colombia's authority had been established in the Trapezium of Leticia under the Treaty; the Peruvian Government denied the justice of the Treaty, declared that the Treaty had been put into effect under a dictator and asked for a reconsideration of the whole territorial situation.

In January of this year both Colombia and Peru appealed to the Council of the League of Nations, after a fruitless attempt to mediate by Brazil. In February, diplomatic relations were broken off between Colombia and Peru. When the appeal came before the Council, it was at once referred to the Committee of Three over which Mr. Lester was presiding. This Committee consisted of three representatives on the Council: the representatives of the Irish Free State, of Spain, and of Guatemala. Having studied most carefully every document in the case and every scrap of paper relating to it upon which I could put my hands, I have the most unbounded admiration for the way in which Mr. Lester's Committee conducted the negotiations. At first, there was some doubt whether Peru would be represented at a meeting of the Council which was called to deal

with the Committee's Report; a strange suggestion was made at one time by the Peruvian Ambassador in Paris to the effect that inter-American disputes could under international law be dealt with only by American agencies. On 18 March of this year the Council adopted a Report under Article 15 of the Covenant, setting forth the facts of the situation and setting forth its recommendations. I commend the Report to you to be read in its entirety. It was drafted by Mr. Lester's Committee, and I think it is one of the ablest documents that has come from the Council. In this Report the Council reviewed the whole situation, and declared that certain steps should be taken to bring about negotiations between Colombia and Peru. It also authorized an Advisory Committee to continue to deal with the dispute and to attempt to bring the two parties together. The Advisory Committee met from time to time after 18 March, and upon 25 May of this year a procedure was finally agreed upon by which the local situation would be taken in hand and direct negotiations would be begun between the parties. I shall read some passages from the report made by Mr. Lester to the Council on 25 May of this year, because it is the basis for the later dealing with the case:

'The Council shall appoint a Commission which is to be at Leticia within a period not exceeding thirty days. The Peruvian forces in that territory shall withdraw immediately upon the Commission's arrival, and the Commission, in the name of the Government of Colombia, shall take charge of the administration of the territory evacuated by those forces.

'For the purpose of maintaining order in the territory which it is to administer, the Commission shall call upon military forces of its own selection, and may attach to itself any other elements it may deem necessary.

'The Commission shall have the right to decide all questions relating to the performance of its mandate.'

In other words, a Commission was to be sent there for the purpose of taking charge of the territory, to enable direct negotiations to be conducted between Colombia and Peru. That Commission is there to-day, and it has assumed control of the disputed territory. It flies a flag of the League of Nations, or at any rate a flag of a League of Nations Commission. I think the Peruvian troops have evacuated the territory by this time. A date has now been fixed for opening the direct negotiations, and I believe there is now every prospect of a settlement between Colombia and Peru.

Here, then, was a case which could not have been settled by a Court, so far as I can see. The law of the case was clear, and it was not disputed by Peru. What agency in the world could have handled such a case except the Council of the League of Nations? And how admirably the Council has handled it! Its report of 18 March is an epoch-making document, and the events since have vindicated the steps which were taken to bring about a settlement.

viii. *The Chaco Controversy.*

The third case with which I shall deal, somewhat more briefly, is the Chaco case between Bolivia and Paraguay. Here the story cannot be so definite. Chaco—the Chaco Boreal—is a very large territory, bordering on the Paraguay River in South America. I believe the whole territory is about 115,000 square miles, and is even larger than Rumania, or about the same size. It is almost the size of Italy. It has long been disputed. At first Argentina was involved in the dispute; since the middle of the

last century, the dispute has been actively carried on by Bolivia and Paraguay, particularly since 1879. The Bolivians consider it extremely important that they should have access to the Paraguay River; being deprived of their sea coast on the Pacific, they are more than ever anxious that they should not be deprived of this outlet to the sea by the Paraguay River. On the other hand, Paraguay has settlements in various parts of the territory, and I think there are some small railroad lines in the lower part. In 1907, a settlement seemed to be in prospect, but that prospect has never materialized. In 1928 there were some serious incidents in this region, which led the Inter-American Conference on Arbitration and Conciliation then meeting in Washington to deal with the dispute, and that Conference succeeded in reaching, for the time being, a *modus vivendi*.

The events of last summer, however, were much more serious, and since last summer hostilities on a large scale have been in progress in this territory between Bolivian and Paraguayan troops. On 10 May of this year the Paraguayan Government declared that a state of war had existed between Paraguay and Bolivia. (It is interesting to note that about the same time the Paraguayan Government ratified numerous international instruments relating to the pacific settlement of international disputes, including the Hague Convention for the Pacific Settlement of International Disputes of 1907 and the Protocol of Signature of the Permanent Court of International Justice.) The events of last summer led to a very active consideration of this dispute in a number of places. One problem which I should like to bring to your attention is this: Is there a danger in the world of our time of having competition between agencies of pacific settlement? For several years, this dispute was dealt with

by a Commission of Neutrals sitting in Washington; it was dealt with, also, by Argentina and Chile, and more recently by Argentina, Chile, Brazil, and Peru. It has been actively dealt with by the Council of the League of Nations since last September. The Council began by offering its co-operation to the Commission of Neutrals in Washington; in September of last year, the Council appointed a Committee of Three over which Mr. Lester presides, consisting of the representatives of the Irish Free State, Guatemala, and Spain to deal with the dispute. This Committee of Three has been actively engaged in attempting to bring about a settlement between Bolivia and Paraguay for the past nine months. Arbitration has been suggested on many occasions, and the principle of arbitration has been accepted by both Bolivia and Paraguay, but subject to conditions which make it impossible to conduct the arbitration. All sorts of questions have arisen in the effort to get the two States to agree upon an arbitration. First, must the hostilities cease before the arbitration begins? Second, if the hostilities cease, must the troops of Bolivia and Paraguay be withdrawn from the Chaco? Third, who is to frame the question which is to be arbitrated? Fourth, is the whole of the Chaco territory to be included in the arbitration, as Paraguay desires, or will the arbitration relate only to a part of Chaco, as Bolivia desires? Fifth, what is to be the tribunal which will do the arbitrating, and who will choose the members of the tribunal? Now these are extremely difficult questions, and for my part I would like to be very patient with both the Bolivian and Paraguayan representatives in dealing with them.

The principal concern of the Committee of Three has been to bring the hostilities in the Chaco to an end—to

have the killing of men actually stopped. To that purpose, the Committee of Three has suggested that a Commission be sent into the territory to try to devise some method of settlement. The suggestion was first made in January of this year. In February, there was a new proposal for peace, formulated at Mendoza by representatives of Argentina and Chile, but it was not accepted by the parties. It is very interesting to see that the Mendoza Act, as it is called, referred to the possibility of asking the Permanent Court of International Justice for an advisory opinion. Several weeks later, in May of this year, the Committee of Three returned to its suggestion of January that a Commission should be sent to the territory to attempt to effect an arrangement between the parties, to prepare an agreement for arbitration and to be at the Council's disposal for any further mandate that may be given to it. Finally, at the end of June of this year the parties agreed to that proposal. Early in July the Council took note of that agreement and began to organize the Commission to be sent. The members of the Commission were selected, and they were about to leave for South America when, late in July, the parties themselves suggested another arrangement. They proposed that the dispute should be dealt with by Brazil, Argentina, Chile, and Peru—that is, by the neighbouring countries. That proposal meant the abandonment for the time being of the Commission of Investigation which was then being organized to go out under the Council's auspices. On 3 August of this year, the Council met in this room and accepted the proposal of the parties that those four Governments should be asked to deal with the dispute under the auspices of the Council and as the mandatory of the Council, and to attempt to reach an agreement between Bolivia and Paraguay. There

the matter rests to-day. The dispute has been before the Council almost a year; great ingenuity has been shown by the Committee of Three and by the members of the Council in dealing with it; from time to time it has been necessary to retrace the steps which had been taken; yet we may now hope that further progress can soon be made.

ix. *Conclusions.*

Let me now state a few conclusions. I think a tremendous gain has been made for the world by our generation, in that we have succeeded in building some permanent agencies to handle disputes of this kind. The Court is there, and its very existence has influence even in cases in which it is never used, as indicated by the Mendoza Act. The Council is developing a technique, though it has to deal with every case on its own merits and it cannot be bound by any rigid precedents. It does succeed in bringing the disputants together. It does succeed in establishing the facts and in making those facts known. The Council endeavours to effect a settlement, and a settlement may be more important than a moral judgement. It is easy enough to condemn the parties to a particular dispute, but, so far as my observation goes, peoples are not very different in the conduct of their disputes. Perhaps the Council's influence is not as strong in all parts of the world as it should be; there is still some question whether it will reach to South America.

It may still be touch and go whether the machinery which we have will succeed in producing a settlement of a particular dispute. Yet I think we have made a great gain in creating this machinery, and I cannot understand the defeatism which now prevails in certain quarters in

Geneva. The cases which I have described need only to be compared with similar cases of a quarter-century ago for one to appreciate that something has happened that has not happened before in history. We now have—we are developing, at any rate—agencies for dealing with international disputes which our grandfathers thought could never be established. Those agencies exist, and I believe they are on the high road.

CHAPTER VII

THE FAR EAST DISPUTE FROM THE POINT OF VIEW OF THE SMALL STATES

by

SEAN LESTER

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I HAVE been asked to speak on the point of view of the small States with regard to the Sino-Japanese dispute. If there is a separate point of view, and, unfortunately, it can be argued to exist, it is shared and encouraged very whole-heartedly by many people who are distinguished and loyal citizens of the great States. That point of view is perfectly simple: it is that the Covenant must be applied as completely and firmly against a powerful aggressor as against any small country which tries to take the law into its own hands. The organization of peace is not a question of sentimentality nor even of abstract justice but of vital concern, perhaps of life or death, to the States which are not militarily strong.

It is not necessary to recount the history of the dispute nor of the efforts made at Geneva to find a solution—to persuade a great Power that its plighted word, its honour, and, indeed, its permanent interests were involved in carrying out the Pact of which it had itself been one of the authors. Nor would it be expected that I should recount the secret history of the discussions of the Council, Special Assembly, and their various committees. Anyone whose business it is to represent his Government in international matters is

always pleased to be given an opportunity to divest himself of that responsibility and to speak as a private individual. But in doing so he cannot, of course, forget that the interruption of that responsibility is only for an hour or so.

I shall, therefore, confine myself to exposing to you some of the motives which actuated the representatives of certain small States up to the present stage in the Sino-Japanese conflict.

Imperialists have always found plenty of arguments in support of the conquest and seizure of territory belonging to weaker peoples. Japanese diplomacy did not fail to produce such arguments and excuses, but in that case, as in others, the aggressor relied on its military strength as the final argument. Japanese action in Manchuria was, except in one respect, no more immoral than the action of other Powers in the past. They may, therefore, feel themselves unfortunate in being treated on a different basis because their action took place in 1931 and not in 1901; and, no doubt, recognition of this fact made the position of States which had already built empires by the same methods a somewhat delicate one. The outstanding difference in the Japanese case was, of course, the existence of the Covenant, a solemn contract between Japan and fifty-six other nations. The maintenance of the principles of that Pact is of personal importance to every man and woman in the world, though millions may not even have heard of it, and most of the others regard it as a matter only for their Minister for Foreign Affairs. It is of importance to all countries, whether they are great or small, but, not unnaturally, it means more to the smaller and weaker States than to the wealthy and powerful nations.

It must be understood that, during discussions which

lasted about eighteen months, there were changes in the attitudes of the various Powers, and it would be foolish to imagine that small States as such make any exclusive claim to virtue and consistency; but I think it will also be evident to students of the question that small States did maintain more vigorously that the strength and size of an indicted State must not be allowed to affect the action of the League.

I am afraid it must also be said that it was felt from time to time that too much energy and time had to be spent, often fruitlessly, in endeavouring to convert those who should themselves have been missionaries. If by the process of time, by the exhaustion of argument, the patient and indeed tragic learning of experience, the representatives of some small States were found in the role of advocate for the defence of the League it was not by any desire of their own; it was rather by the failure of leaders who would not lead. Voices which should have been authoritative and firm were, at best, silent; and sometimes when they had been heard it might have been better otherwise. A few small States with no axe to grind, independent, and with some courage, did, I believe, save the League from complete bankruptcy. Of that history must judge. Their task was not pleasant nor easy but they realized that behind them, not quite as articulate but equally convinced, stood dozens of others, many of them most anxious and seriously concerned for the fate of the League idea.

i. *The New Responsibility of the Small States.*

The League of Nations has presented, for the first time I think in history, an opportunity for the small States to take part in the settlement of world affairs, in which, in other circumstances, their intervention would have been

regarded as an impertinent interference with the affairs of their betters. But it would be foolish and childish to exaggerate the extent of this influence, just as it would be foolish to under-estimate it. While the theory of equality between States is clearly accepted, certain and inevitable physical factors must be recognized.

Progress of international co-operation has already imposed certain limits to the exercise of sovereignty; but there is yet a long way to go before nations will assent to the making and application of majority law in all international affairs as it is understood within national frontiers. Curiously enough it is usually the governments of powerful nations, whose influence in the making and shaping of international law would naturally give them additional safeguards, which seem most nervous of development on these lines. Again and again during the long period of discussions about the Far Eastern question, the representatives of small States were reminded that their greater brethren had greater responsibilities. Their colonies, their widespread commercial interests, the very fact that they possessed military power, made their decisions of very much greater import to their peoples than those States whose contacts, interests, and resources, and also whose distance from the scene of war, made the consequences of their decisions appear less direct and less menacing. The force of these arguments was fully admitted, though at times they seemed rather irrelevant and no answer to the cold print which registered the articles of the League's Charter.

It will, as I have said, be realized that even in the League questions of important policy cannot always be decided merely by the equal votes of States most unequal in other respects. It must be accepted that in many League matters

—that is to say in many international affairs—effective decisions can rarely be secured against the wishes of the Great Powers or against the wishes of one or more of them; and certainly in no matter which they consider to be of vital interest. The difference between the new and the old procedure is that the League provides the means of discussion and of compromise in a way previously impossible, and above all of publicity, which in itself gives the small States an invaluable tactical advantage. But if you take for example the problems of disarmament you will find that sometimes it is the absence of agreement between only four great States, and, more rarely, between no more than seven or eight, which blocks the road to substantial success in that field. On the other hand, if there is this question of what I might call the physical factor, there is another side. In this new organization, we have seen the part played by the honest, incorruptible, the courageous and impartial statesman, even though he represents a small and weak country. I recall to your minds the names of Nansen and Branting.

The influence of a small country depends upon its disinterestedness, its reputation for impartiality, its courage, combined with some skill and a balanced judgement, and that influence may in the League be something undreamt of under the old system. The representative of such a country has behind him no battleships or battalions, no great coercive power in commerce or finance. His influence is a moral one and nowhere but in the League of Nations can it be really exercised. The reason for this is that, if the Covenant is very far from being a perfect instrument, certain invaluable principles for the future of the world have been therein declared and attested, and if States, great or small, which have so attested, fail to apply those principles either

through weakness or through greed and self-interest, they can at least be pilloried, they can be put into the dock, they can be denounced before their own people and before the world, and the world can bring in its formal and solemn verdict of guilt. It is also true that the Covenant provides the possibility of retribution for grave offences, but to deal with that question alone in its legal and other aspects would require much longer time than is at my disposal. In the end, it depends upon the will of the various governments, for the League of Nations is only as powerful as those governments wish to make it. It will, however, be clear to you that it is easier to enforce judgement against a little offender than a great, although it will be realized that in the present circumstances, when national interests are so interwoven, it may not always be easy to secure agreement to compel even the small offender to rectitude.

ii. *Their Interest More Than Academic.*

Emphasis has been laid in many quarters on the responsibilities of the Great Powers; not quite so much emphasis has been laid upon the fact that the type of responsibility referred to is necessarily accompanied by another responsibility: the greater the power, the more insistent is the duty of seeing that the Covenant is respected.

And is the responsibility of the small State so much less? It is true that in the case of a distant conflict their frontiers may be safe, and the proportion of immediate economic disturbance may be much less; but if the principles of the League, to the extent to which they are the principles of international morality, are to be any protection in any part of the world, they must be respected and, if necessary, enforced (with all the factors of each case duly considered)

in every part of the world. The Covenant cannot be disregarded in China or South America and remain a guarantee for the small States of Europe. The interest of the small States in such affairs is therefore by no means an academic interest, although it is true that they are also in a special way called upon to maintain and to advocate the maintenance of those principles and of that organization which contain at least a promise for the establishment of peace and justice and the replacement of the principle of force as the unquestioned arbiter by the reign of law. Small States which cherished their liberty might fight against absorption or conquest to their last man, and yet be comparatively easily overwhelmed by a great Power. The world has always condemned such crimes, but very rarely has anything been done to prevent them unless such action threatened the interests of another great Power. Small States believe they have now in the Covenant got a promise of something more than a little moral indignation in such circumstances; they want to be assured that that promise is a reality, capable of development, and certain to be applied, and this responsibility and this interest are to them as important as the responsibilities and interests of the Great Powers of the earth. In seeking to protect this interest, they are not acting contrary to the real interests of the big nations. The common people of the world, whether they are peasants in Spain or Ireland, mill-workers in Japan or England, have in reality the same interests. They want their children or their children's children to grow up freed from the threat of the cruel and brutal waste of life and wealth which war entails. They want the whole force of the Nations to be used, both within their frontiers and in co-operation with others, to enrich the lives of the common people. The directors of

the foreign policies of great powers may sometimes realize this common interest, but they are still faced with and often blinded by the old, persistent rivalries and trickery and distrust and ambitions. You will recall the saying that it is easier for a camel to pass through the eye of a needle than for a rich man to enter the kingdom of Heaven. The rich Powers of the world certainly need sympathy and help and persuasion to enable them to reach the kingdom of Peace and some modest help can be given by small States which do not suffer from all their disabilities.

iii. *League as Third Party to Disputes.*

This brings me to another consideration. Early in the dispute between the two great countries in the Far East, it was pointed out that there were not merely two parties to that dispute; that the League of Nations itself was a third party, and that it was not merely a question of establishing the facts or of comparing the actions of either party, or of assessing the blame or of speaking at Council or Assembly on behalf of one's own State and its interests. The League of Nations was as much a party to the dispute as either China or Japan. It, too, was attacked; the League had its obligations and its rights as well as the two peoples engaged in battle. This argument did not presuppose the League as a super-State, but there is, or should be, in the policies of all its Members at least an element which is based on the integral maintenance of the principles of the Covenant and the sum-total of these elements does create something greater than and different to its component parts. It would be unfair to suggest that this point of view was entirely overlooked by the great States. Once again I would emphasize that at one time or another throughout

the long discussions, the representatives of the more active of the small States found themselves in agreement with one or another of the great States, and occasionally with them all. But so far as the Council is concerned, I think it is not incorrect to emphasize that small States which are elected by the Assembly have a special mandate. It has been maintained that their selection gives them a special duty to guard the interests which are common to their electors, and for this reason the position of the League as third party to the dispute was frequently raised by the representatives of small States. Japan, instead of following the procedure laid down in the Covenant, had assumed the right to be the sole judge in her own case and had used force to settle it to her own satisfaction; the law did not apply to her in the special circumstances, a plea that, if admitted, would have re-enthroned anarchy where the infant Law was feebly grasping the Sceptre. This was not merely an attack, therefore, upon a weaker and disorganized neighbour but a direct assault upon the League. Here again, perhaps only re-stated in another form, was one of the motives which led certain small States to participate actively in the consideration of the dispute and the search for a just solution. Japanese friends, personally as honourable as they were able, were told that if one had to choose between old friendship and respect for Japan on the one hand and the League on the other there would be no doubt of the choice: that it was no longer a question between China and Japan, but also a question between Japan alone and the League of Nations.

It will be recalled that for about four or five months the Council considered this dispute under Article 11 of the Covenant under which the action of the Council is restricted,

as it can propose no solution, according to a widely accepted legal theory, unless the Council, including both parties to the dispute, are unanimous. The power of veto was thus given to either of the disputants. Every resolution which the Council wished to pass required to be negotiated with both the Chinese and Japanese representatives. The Council has been criticized for not taking more energetic measures during that period, and I am certainly not going to undertake the defence of the Council. I suppose that 80 per cent of its discussions were in secret session, and no one who had not participated in those discussions could fully realize the situation and the difficulties which any such proposal encountered. I would also recall, however, that the Council received many assurances which unfortunately proved to be unreliable. In September the Japanese representative joined in a resolution recognizing his country's obligation to withdraw her troops as speedily as was compatible with the safety of the lives and property of Japanese subjects. In October, Japan rejected a resolution fixing a time limit for that withdrawal—fourteen votes to one, and yet legally it was said to be an ineffective resolution! In December she reaffirmed the undertaking. There was a conflict of view as to the circumstances in which hostilities opened and as to the circumstances in which they were continuing. A League Commission was therefore organized to report to the Council. But it was made clear that the Japanese withdrawal was not dependent upon and not to be delayed on account of the Lytton Commission inquiry.

iv. *The Lytton Report Cleared the Way.*

Then, early in 1932, Article 15 was invoked by the Chinese Government, thus permitting the possibility of

recommendations without the assent of the parties, and the matter was transferred to the Assembly. The Assembly found itself faced with similar difficulties, although it was now in a position to exercise greater powers, but statements made at the Special Session showed that the Assembly also demanded the immediate restoration of a situation compatible with the Covenant. It was pointed out that the final settlement might take some time, but that the dispute must not merely be settled, but must be settled only in accordance with the principles of the Covenant. The Committee of Nineteen continued the watching and exhortations which had been the duty of the Council, but the next really important stage was when the Lytton Commission's epoch-making report was received. In the meantime, the Japanese Government had steadily extended its conquest and had set up a puppet Government in Manchuria which it formally recognized. It is no small gratification to me that by happy accident the leader of the Irish Delegation made the first declaration at the Special Assembly when the report came under consideration and, recognizing to the fullest degree the justice of giving complete satisfaction to all legitimate Japanese interests in the territory, was the first there formally to declare that his Government would refuse to recognize a 'State' set up under the conditions which had operated in Manchuria. The declarations by the representatives of other small States were also very firm and helped to make it clear that the report of the League Commission having been received, the Assembly was not merely in a position to take action, but that many Governments were determined it would do so.

This attitude was crystallized in a draft resolution presented by the representatives of Czechoslovakia, Sweden,

Spain, and Ireland. That incident might be compared to the hoisting of a flag; an intimation that now that the League had received not only a report but very important recommendations from its Commission, the time for patience and exhortation was approaching an end and that some States-Members at least were determined to make their position and that of the League of Nations perfectly clear. A great English newspaper, the *Manchester Guardian*, commenting on the incident declared: 'When the crisis comes we must look to the smaller Governments, like those of Spain, Sweden, and the Irish Free State, with whom liberty is more than a platform phrase.' It was not, however, until some weeks later that the Assembly adopted the report (concurrent in by the United States of America, which had collaborated with the League from the beginning) laying down the principles on which the settlement must be based and calling upon all members of the League to refuse to recognize in any way the existence of the so-called State of Manchukuo. Since then, steps have been taken to co-ordinate and guide the action of governments in this direction. No one can tell what the outcome will be. Hostilities have ceased between the Japanese and Chinese people, but Japan remains in unlawful occupation of Chinese territory. In consequence of the Assembly's verdict that she had violated the Covenant, Japan has resigned her membership of the League.

v. The Balance Sheet is not yet Drawn Up.

To many people the outcome of the conflict up to the present represents a setback to the League of Nations. The States composing the League have failed to prevent a Permanent Member of the Council from seizing by military force the territory of another Member of the League, and

diplomatic, trade, and financial relations continue almost undisturbed. The balance sheet, however, has not been finally drawn up. The Japanese Government has placed its great nation in a position of at any rate moral isolation, condemned solemnly in public session by the Assembly and by the unanimous opinion of the world. No Member of the League can by any action, or omission to act, acquiesce in her possession of Manchuria without violating its own honour.

There are critics who say that all this should not have been done, and that China should have been left to pay for what were described as the consequences of her weakness and disorganization. There are other critics who say that much more should have been done by the Governments composing the League. Whatever one's views may be on this there seems to be a fairly general opinion that in so far as the Covenant has been vindicated, the small States have taken an honourable share. In doing so, they have not, I think, at any time, divested themselves of a sense of realities, as has sometimes been said, but have shown appreciation of the fact that in the world to-day the League of Nations, while still far from being all that it can and may be, is also a reality.

vi. *Small States and the Future.*

It has been said that in the case of the big Powers they must move slowly, with the greatest deliberation, and with the anticipation that the brunt of any international action may fall upon them. All this may be true. One of the great questions in international affairs to-day is, however, whether or not the Governments of the Permanent Members of the Council will be in fact prepared in future to act,

though it may be slowly and with all deliberation. Upon the answer depends the future of the League of Nations. Great Powers in the League may say that that answer in turn also depends in some cases upon the extent to which non-Member States will be prepared to co-operate to maintain peace and the inviolability of the Kellogg Pact. But those Great Powers who have accepted the privileges and duties of League membership cannot justly shelter behind any State which has not, as they have, solemnly bound themselves. That situation must be cleared up, and the other members of the League are entitled to know exactly at what value to assess the guarantees of the Covenant.

I am not, although I have lived in Geneva for five years, one of those who regard the future with complete lack of faith. For those who lack some modicum of faith in future international action, and who at the same time lack the means of modern mechanized warfare, there is nothing but despair. I would go further and say that that applies also to every country which cannot, as few if any can, cut themselves off completely from the world, building around their land a wall against all intercourse.

A small State naturally seeks justice first for itself, but in its own interest it is also deeply concerned with the establishment of just relations between other States. They are not too much preoccupied with questions of nationality. (Such charges have been made when equal representation with the group of Great Powers is claimed for the rest of the League!) Few, if any, States are to-day governed by other than governments extremely nationalist. The leaders of some may by the skilful use of the phraseology of internationalism throw a smoke-screen over their action; others expound their policies a little more bluntly and more honestly.

The half-conscious nationalism of the Englishman, the Frenchman, or the American is no less intense than that found among the newly freed peoples who are only beginning to construct their States. No man can lead a nation or should be allowed to if he is not a nationalist. As he would be of little value to his own people he would consequently be of less to the world or to the League of Nations. Internationalism must be built on nationalism, as the nation itself can only be firmly built on the family.

But nationalism to be moral, to be Christian, to be tolerable, must not be based on a policy of ignoring and infringing the rights of other peoples. . . . Nor can international justice be established without solving the problem of the 'Haves' and the 'Have-nots'. The world to-day is not a picture of perfectly applied justice. Our problem is not to ignore this state of affairs, but to create a situation ensuring that readjustments when they take place will do so without the use or threat of force.

It is also said that the Covenant will have to be revised; that in no case must the defendant be allowed to be judge in his own case; that the League must be made universal; or that a regional plan would be better. All such difficulties are less urgent and less important than the growth of the will and determination to act within the limits of existing instruments. And that will depend ultimately on the awakening of the conscience of the peoples for whom governments speak.

I was asked to lecture on the Far East Dispute from the point of view of the Small States. One cannot consider that subject, however, without seeing that it is in reality a much bigger subject—the small State and the future of the League of Nations. I have indicated some of the diffi-

culties which were encountered in the Sino-Japanese question, and difficulties which must be solved in the slow development of the League. In the future task there is a role for the small State which is prepared to be honest and courageous and fair to all. It is not easy for small States to ignore the frown of the great; it is not easy for them to find the money, or the men with the experience, continuity of office, and the character who will be listened to, as they must, not because of the size of the country they represent but because of the idea they defend, and the way they do it. If the Governments of small States continue increasingly to take an effective part in world affairs they must share the sacrifices which they demand of others, but in doing so they will be fulfilling a duty to their own people and will render a service to the world. And in the end, though none of us may live to see it, the great ideal of Woodrow Wilson may become a reality, and the world more worthy of all who lived and died for justice and freedom.

CHAPTER VIII

THE NEEDS AND PROSPECTS OF MODERN
CHINA

by

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IT would be the task of an omniscient prophet, who was at the same time an expert economist, adequately to deal with this subject. The needs of modern China are comparatively obvious to those who know the present position, tendencies, and features of the country. Opinions as to appropriate remedies differ materially in different quarters. The foreign merchant in China might suggest policies which would not appeal in diplomatic circles as desirable. Again, solutions acceptable to the diplomat might not be considered either desirable or wise by an independent student of international affairs. Even if these three classes were to agree as to a policy to be followed, the Chinese themselves might hold very different views. Any opinions which may be ventilated in the course of this paper are personal to the writer, who cannot claim long and intimate connection with China, but whose experience brought him, at a highly critical time, into close touch with governmental and official circles and with the people of the country, both in certain of the Provinces and at Headquarters.

Of one thing there can be no reasonable doubt. The development of China, whatever direction it may take, will affect, and very seriously affect, the whole of the rest of the

civilized world. No country is, or can be, disinterested. It is eminently necessary that, in all lands, Chinese problems should be the subject of informed opinion. Only so can other nations help China in her difficulties. In doing this they will at the same time do something to reduce the overwhelming burden of international anxiety.

Modern China is the product of the Revolution, modified by the pre-Revolution mentality of powerful members of the military class, and by the conservative instincts of the uneducated mass of the agricultural population. Each of these influences is in places very strong. Instances of the former may be found in many Provinces. The Revolution has had small effect, for example, in the enormous and wealthy province of Szechuan, to which I shall refer again later.

A prominent Chinese official, who had occupied among other posts that of Foreign Minister, discussed, in the hearing of the writer, the question of the political knowledge of the agricultural population. He admitted that the agriculturist is neither politically minded, nor acquainted at all with political theory. 'But', he said, 'he is easily influenced by agitation and propaganda'—a reassuring fact. And that is the common experience of all who know the peasant, at least of Central and Northern China. He realizes and appreciates that the yoke of the Manchu has been removed from his shoulders. But it would be a rash affirmation that the uneducated agricultural class actively or earnestly supports the régime of the Kuomintang. In one respect that class closely resembles the corresponding class in India. To it that government is best which ensures peace, which interferes least, and whose demands are reasonable and are fixed. In none of these three par-

particulars does the Government of the peasant class shine. In few of the Provinces is peace ensured. Where there is no civil war, there are probably Communists and almost certainly bandit forces. Everywhere there is growing interference as interest of the educated classes in the governmental machine increases. The demands of the tax gatherer are liable to vary with the prosperity of the taxed area. It is no matter for surprise that the Government of the Kuomintang is unpopular in the villages.

i. The Revolution and the National Government.

Dr. Sun Yat Sen intended and foresaw a Government of the Chinese people, for the people, and by the people. That vision is as yet far from realization. The National Government of China is described as a democracy, but in no sense is that description accurate. In form the Government is clearly modelled on that of Russia. It bears unmistakable traces of the influence of Joffe and of Borodin. But it is a Bolshevist Soviet Government emasculated. The chief point of resemblance is the relation of the Kuomintang—the People's Party—to the Government. In Russia the Communist Party in effect appoints the Government and dictates its policy. It is true that the Government is the result of an election, but it is an election in which the Communist Party ensures that none but its adherents shall be returned. In China the time for elections has not yet come. There is no election. For the present the Government is simply that of a political party, the Kuomintang. The party elects a Central Executive Committee, which is the supreme authority when the party congress is not in

session. This Committee delegates to a Central Political Council the policy and direction of the National Government. This Central Political Council of the Central Executive Committee of the Party is stated by General Chiang Kai Shek to be the highest legislative, directive, and controlling organ in the Kuomintang system of government. By this Council the National Government is created. To this Council it is subordinate and responsible.

The Central machine of the Government consists of five 'yuans' or departments—Executive, Legislative, Judicial, Examination, and Control. The personnel of these Departments and the policy that they shall adopt are decided by the Political Council. Nominally the subordinate members of the Civil Service, who are employed in these Departments, are unaffected on a reconstruction of the Government. In practice there is liable to be a complete change of personnel. Loyalty to the Departmental Chief frequently ensures that his resignation implies the resignation also at least of his superior subordinates. Continuity of policy is thus difficult to secure.

In governments of Western lands there are ordinarily three branches of government—Executive, Judicial, Legislative. Dr. Sun Yat Sen's discovery that there are not three, but five such branches, led to the division of the government machine in China into five departments. Of these the fifth—the Control Yuan—is in a sense the most important. Of its two functions, the more important is that of impeachment, and the existence of that duty is responsible, in the writer's opinion, for a certain executive timidity in Government officials. As long as an official can support his action by reference to an Act of the Legislature or to a Regulation he is safe. Whenever he is faced

by circumstances unforeseen by the legislature, he cannot escape a certain reluctance to apply common sense, for his action may be judged improper or unwise by the Control Yuan and he runs the risk of consequent impeachment.

It is of course a fact, which must constantly be remembered, that Revolutionary China is still at the beginning of things. Dr. Sun Yat Sen forecast three stages of constitutional progress. Of these the first was revolutionary bloodshed. That stage is passed. The second stage was that of Political Tutelage and of evolutionary reconstruction, which is the present position. The third stage was that of ordered and constitutional administration. That stage is still in the future.

ii. *The Kuomintang.*

But Modern China is restless under the tutelage of the Kuomintang. The rule of the Party is increasingly resented as irksome, and powerful influences are at work to terminate the second period, that of tutelage, and to initiate the third period, that of constitutional administration. This demand had already been expressed in June 1929 at the Second Plenary Session of the third Central Executive Committee when the tutelage period was reduced from the orthodox ten years to one of six years, ending in 1935. Early in 1931 the question of a Provisional Constitution, to come into effect before the end of the tutelage period, was raised by General Chiang Kai Shek, contrary to the expressed desire of more orthodox members of the party. A Provisional Constitution was drafted and was adopted

at the regular session of the National People's Convention on 12 May. This Constitution did not, in fact, allow any power to escape from the hands of the party. Art. 30 lays down that during the period of Political Tutelage the National Congress of Kuomintang delegates shall exercise the governing powers on behalf of the National People's Congress. During the adjournment of the National Congress of Kuomintang delegates the Central Executive Committee of the Kuomintang shall exercise the said powers.

The agitation for such real democratic government as is possible at the present stage in China, continues. A new Provisional Constitution was in process of preparation when I left China this last spring. I cannot find that it has yet been published, much less promulgated. There is, however, every reason to believe that the period of political tutelage is approaching its conclusion. It is also accurate to say that it has failed to attain its complete object, as was bound to be the case. There has not been that instruction in the elements of constitutional government which Dr. Sun Yat Sen intended during the period of tutelage. And indeed, considering the lack of education and the disturbed state of the country, any general attempt at such instruction would have been quite futile.

It is indeed questionable whether the Kuomintang is qualified for the task of educating the nation in the principles of constitutional government. Less than three years ago, speaking at the Central Party headquarters, General Chiang Kai Shek made an exceedingly outspoken pronouncement as to the Kuomintang. He was reported by the Kuo Min News Agency—the official publicity agency of the party—to have said in the course of his speech:

'It is highly deplorable that in almost all the places which I have visited of late, Party members have left extremely unfavourable impressions in the minds of the people. Not only is it impossible to find a single Party Headquarters which administers to and works for the welfare of the people but all are stigmatized for the most reprehensible practices, such as corruption, bribery and scrambling for power.

'The Manchus were overthrown because they constituted a special caste. But now, we who staged the Revolution for the overthrow of the Manchus have ourselves come to be regarded by the people as a privileged caste. They are now cherishing towards us the same hatred and repugnance with which they looked upon the Manchus.

'The danger of such a situation can hardly be over-estimated. Unless we quickly correct our faults, the Party will meet with rapid downfall, and we shall thereby be guilty of betraying the Trust confided to us by the late Party Leader (Dr. Sun).'

The General proceeded to point out that this state of affairs was due, not to any inherent defect in the party system, but to lack of discipline and ignorance of Revolutionary principles on the part of individual party members. And this is doubtless true. But wherever the evil may lie, its effect is unquestionably that described by Chiang Kai Shek—namely widespread suspicion and dislike of the party.

On the other hand, it must not be forgotten that the Government based on the Kuomintang saved China from chaos during the period of Japanese aggression, that the same Government broke up the very formidable Soviet Government, which exercised authority in large areas of the Provinces of Hunan, Hupeh, Honan, and Anhwei, and that the Yangtze valley was saved by its exertions from starvation and anarchy consequent on the floods of 1931. It would therefore seem that China does not lack efficient adminis-

trators. The men are there. The problem is rather to frame a constitution which will ensure some connection other than the tax collector between the cultivator in the village and the Central Government in Nanking. At the present time it would be a mis-statement to allege that the Central Government either represents or has the confidence of the mass of the population. A basic and essential need of modern China is unquestionably a constitution so devised that the Nanking Government will feel its responsibility not solely to the Kuomintang, whose membership is in effect confined to the educated veneer of the population, but also to the mass of the people who have no connection with the party and indeed regard it with dislike and with suspicion.

iii. *The Needs and Prospects of Education.*

This leads naturally to a consideration of the educational needs of the country. These have been recently examined by a Commission of experts sent to China under the auspices of the League of Nations. The report of the Commission has been published and discloses much material for serious thought. In general the Commission finds that existing methods under which education has been recently developed under a variety of foreign influences have severely endangered the unity of national culture. They found that the number of children in primary schools was under 9 millions, about 10 per cent of children from 6 to 18 years of age. The number is, however, increasing rapidly. In the seven years from 1916 to 1923 the increase was from 4 millions to 6½ millions, from 1923 to 1930 to 8,800,000. And that there is a great demand everywhere for primary education is patent. It is indeed pitiful to find a crying need for more schools and more teachers, combined with a financial position

which results in non-payment of the existing staff for months on end.

There is also a widespread and increasing demand for secondary and university education. More than fifty universities have been created within the last quarter of a century. Of these four national and eight private universities are situated in the city of Peiping; four national and nine private in Shanghai. As has been remarked, China has of recent years suffered from 'university fever'.

But the Commission's report, though benevolent, is largely critical, and proposes very drastic reforms. These include re-organization from the top to the bottom. Only so, does the Commission think, can efficiency be attained in school administration, in the teaching profession, in the school system, and in actual teaching.

They find in certain universities 'the existence sometimes for years together, of a state of internal disorder and of misunderstanding or tension between students and the authorities which lowers the whole standard of educational work, prevents the introduction of necessary reforms, and threatens at times to reduce academic life to chaos. Instances have been brought to our notice in which bodies of students have insisted successfully on their rights to attend only two-thirds of the lectures prescribed and to be credited with attendance at the whole number: to suspend the work of a university at their own discretion, in defiance of the decision both of the academic authorities and of the Ministry of Education: to prescribe the character of lectures and the books to be studied on a subject of which their knowledge was rudimentary; to dictate the nature of examinations: to dismiss teachers and administrators, including university Presidents, of whom they disapproved: and to veto the

application of policies affecting universities, on which the Government had decided. . . .'

There are three of the reforms which appear even more essential than others. They are (1) that the number of universities should be reduced by amalgamation, where that is possible; (2) that money should only be granted on condition of working to the satisfaction of the Ministry of Education, and (3) that money grants, however small should be certain of payment and should be fixed for a term of years.

My personal view is that, at the present stage, primary education is of infinite importance, and that such public money as is available should preferably be applied to that branch. University education is highly desirable and highly important. The universities turn out the leaders of the nation. Unquestionably public money must be spent upon them. More money should, however, be demanded as fees from students than is now the case. At present, of \$24 million spent on university education less than \$2 million is received in the shape of fees. If the same percentage were obtained from National and Provincial as from private universities, the sum would be not \$2 million but \$6 million.

The lawlessness of the student class, both in the secondary schools and in the universities is notorious, and is a serious element of national danger. The indictment of the League Commission is serious, but is not as severe as circumstances warrant. The experiences of the past few years, which include murderous assaults on unpopular Ministers by disgruntled students, show that the student body has been utterly out of hand. It is clear that universities or secondary schools, whose students are guilty of misconduct, on occasion of criminal misconduct, can make no valid claim for financial

assistance from the Government whose decrees they scorn, and it would be legitimate and probably effective to make a financial example of an outstanding case, by withholding the Government grant altogether. If this were to result in closing down the university to which the offending students belonged, probably positive good would result. Other universities would be likely to learn the lesson.

Meanwhile the Mass Education Association, associated with the name of Mr. James Yen, is carrying out a widespread experiment in the district of Ting Hsien in the province of Hupeh, which, if successful, might revolutionize rural China. Mr. Yen has invented a simplified script which, by the use of about 1,000 characters, enables those acquainted with them to read and to write sufficiently for the practical purposes of ordinary simple life. It is the policy of the Mass Education Association to spread the knowledge of this script in the one chosen hsien, and at the same time to carry on reform work in agriculture, to teach the principles of citizenship and of hygiene, to foster social service, to give an elementary education in art, and to encourage the application of co-operative principles to the village economy. The work has led to radical difference of opinion among those who have examined it. The Education Commission condemns it as superficial, expensive, and unsound.

‘The purpose of all these activities seems to be to idealize the present mode of living instead of working with a view to the future. The general impression remains that the vast resources here devoted to adult education might be employed much more usefully and economically if the really admirable social workers who are here displaying such unparalleled devotion were given responsible posts in the public education service. . . .’

On the other hand, Professor Hocking of Harvard University, and even more Mrs. Hocking, were enormously impressed with the importance and value of the experiment, as indeed are very many who have experience of it. And in a country of the size of China not only is there room for experiments of every kind, but it is advantageous that even the most heterodox should be tried.

For this reason I think it is of importance that the Mass Education Movement should continue, and that it should be encouraged to spread.

I have dwelt at some length on the question of education, as democratic government seems to me to be quite incompatible with illiteracy in the population. It is not until the mass of the people have the benefit of primary education that they can proceed to the polling booth with the possibility of recording an intelligent vote. And until that is the case representative Government is likely to be a farce. The Chinese National Government would be well advised to strain every nerve to spread compulsory primary education as rapidly as funds permit.

iv. *The Relation of the Central and Provincial Governments.*

The present position of the National Government in China cannot but be precarious as long as it is unsupported by the Provincial Governments. The actual position at present is that the Nanking Government has a certain control over the Provinces of the Lower Yangtze Valley and over some of the North-West. Over the rest of China the control is extraordinarily small. Indeed, it would be true to say that in certain of the Provinces, especially of the South and of the West, there has been definite hostility to

Nanking. That hostility still persists, though now not to such an important degree. The enmity between Canton and Nanking has been pronounced in the past. The parties came together to resist Japanese aggression. The one good result of the Japanese policy of the last two years has been the unification of China, though there is still suspicion on the part of the Cantonese authorities. A *modus vivendi* has been reached though relations are never very cordial.

In the recent negotiations at Geneva on the subject of Japanese aggression in China, one of the arguments continually used by Japan was based on the alleged absence of unity in China. China, she said, is not a unified nation. Its Central Government has no power to control events in the Provinces. Neither the Central Government nor the Provincial Governments are able to suppress banditry. How can China be looked upon as a Power with which it is safe for a civilized and organized Power to deal?

The solution of this part of the Chinese problem is going to be a matter of long effort and of great difficulty. At the present time it cannot be said that there is any provincial patriotism in China, and even less that national patriotism is common. The history and the religion of China combine to explain the absence of nationalistic feeling. The unit of society was the family and family devotion was the rule. The family was so large as to amount to what, in Western countries, might be called a clan: in the villages loyalty was to the clan. In the towns, besides family loyalty, there was loyalty to the guild. Beyond the family and the guild it would be true to assert that loyalty did not go. Patriotism, as understood in the West, did not exist.

The Japanese attack on Manchuria in September 1931, followed by the attack on Shanghai in January 1932, and the

subsequent military situation which resulted in the annexation of the North-Eastern Provinces under the specious title Manchukuo, unquestionably tended to create a nationalist feeling in China, for which the Kuomintang also stands. It is safe to predict that the next few years will see the growth of that national spirit, and whether that growth takes the form of provincial patriotism or of national patriotism, it is going to have very serious international repercussions. It will have its maximum effect if it takes the form of national patriotism, as progress in China is dependent on increased strength of the Central Government.

v. *Lawlessness and its Cure.*

One of the most distressing features of life in China to-day is the prevalence of lawlessness. Besides ordinary crime which obtains in China probably to a less degree than in most other countries, there are three grave forms of hostility to ordered Government. These are: Communism, Civil War, and Banditry.

When I went to China in 1931 there was a Soviet Government which controlled large portions of Hupeh Province and smaller areas in Honan and elsewhere. This Government had existed for at least six years, and was so well organized as to have its own coinage and bank-note system; its own telephones and telegraphs; its schools and hospitals, and, of course, its own army.

On the north bank of the Yangtze, about sixty miles west of Hankow, there was a notice printed on a board in bold Chinese characters: 'Here begins the territory of the Soviet Government of China.' From that point, sailing west for over one hundred and fifty miles, one passed along Soviet territory and was at any moment liable to be under fire from

the Soviet troops. Indeed, scarcely a ship passed up or down that stretch of the Yangtze without coming under fire. This was so well known that all the passenger boats of the various lines had steel shields to protect their crew and their passengers from Soviet bullets. This Government has been broken up by General Chiang Kai Shek and his troops during the winter of 1932-3.

The Chinese have no sympathy with Communism and the existence of the Communist State was due to two reasons—first, misgovernment, mainly provincial; second, economic distress. If only China were reasonably well governed she would have nothing whatever to fear from Communism. The heads of the Soviet State were largely young Moscow-trained Chinese. The Army, to a great extent, consisted of mercenaries, who would hire their services out to the highest bidder, whoever he might be. The majority of the people were happy at the commencement of operations when the property of the well-to-do was distributed among the poor, but by the time that the Communist Government was broken up, misgovernment had been so pronounced that large areas in that fertile territory were found by General Chiang Kai Shek uncultivated and derelict. There could be no possible doubt of the relief of the population of that area when the Communist Government was overthrown.

Although I have said that the Chinese have no affection for the principles of Communism, the Japanese attack on China in the last two years has compelled a rapprochement between Nanking and Moscow. If the Chinese Government were to conclude that imitation of Russian methods would result in Russian assistance in the struggle with Japan it might be difficult for them to resist. And the Committee system might not prove inappropriate in an illiterate China.

It is clear that where illiteracy is so pronounced as effectively to preclude the functioning of representative institutions, and at the same time a Democratic Government is desired, the only possible method is the Committee system, which is not uncommon in Oriental countries. The outstanding instance was the Panchayat of India.

The second major evil is that of civil war. For years civil war in China has been the rule. It still goes on, and, at the time of writing, two war lords in Szechuan are engaged in fighting desperate battles and devastating the country. It is alleged that in this civil war on the two sides thirty thousand soldiers have lost their lives. It is also alleged, I believe, with truth, that the cause of the civil war is the attempt of one or the other to obtain the monopoly of the opium revenue. One hesitates to suggest that China should spend any additional money on armaments, but it is clear that China must have sufficient effective forces to police the country even where that duty involves battle with hostile provincial armies.

The third of the major evils is banditry. Banditry grows out of civil war, oppression, militarism, and starvation. The bandit of the Chinese night is frequently the farmer of the Chinese day. He is often the soldier discharged from one of the various provincial armies. He may be a soldier of the National Army discharged far away from his home. Usually he is a man who cannot obtain a living in any other way.

It is the fashion either to exaggerate banditry and to suggest that the whole country is bandit-ridden, or to minimize it and by reference to Chicago and to London to suggest that things are no worse in China than they are elsewhere. It is, of course, untrue that banditry is prevalent

everywhere. That would argue complete anarchy. On the other hand it would be absurd to suggest that conditions in this respect in Great Britain or in the United States of America in any way resemble those in China. Over large areas of China to-day, it is impossible to travel without an armed guard of soldiers and perhaps dangerous to travel with them. In the course of Flood Relief operations, bandits were a constant cause of anxiety and of loss.

The remedy for the three evils, Communism, Civil War, and Banditry is identical. Decent government, honest administration, education—these are the three essentials if the country is to be put right. A beginning has already been made in the undoubted strengthening of the Central Government in the Provinces of the Lower Yangtze Valley. Any steps that support this tendency are worthy of encouragement.

vi. Improvement of Position of Central Government.

The position of the Nanking Government has undoubtedly been improved during the last two years. This has been the result in a large measure of the work of the National Flood Relief Commission and of the Engineering Section of the National Economic Council. Before the constitution of the National Flood Relief Commission the residents of the villages of the Yangtze Valley had certainly no conception that the writ of the Nanking Government ran in their Provinces. This was the first occasion on which the Central Government had undertaken responsibility for relief in a case of widespread natural calamity. Thus the existence and functions of the National Government were brought to the notice of the whole population of the affected tracts.

These included large areas in the Provinces of Chekiang, Kiangsu, Anwei, Kiangsi, Hunan, Hupeh, and Honan where the floods were most serious. The political effect of relief in those areas was further fortified by the construction of inter-provincial roads by the engineers of the National Economic Council.

Another measure contributed to strengthen the position of the Nanking Government in these areas. Before the flood of 1931 each of the Riverain Provinces had received from the Central Government a sum for maintenance of the dykes, this sum being a surcharge on the harbour dues of the river ports in the Province concerned. This source of income was looked upon by the Provincial Governor more or less as a windfall, and inquiries in Hankow in the autumn of 1931 established the fact that the dyke tax had not that year been used for dyke repair.

The National Government, therefore, constituted a Board of Engineers for the Conservancy of the whole of the Yangtze Valley to which are also appointed representatives of the Provinces concerned. The income from the dyke tax is now paid over to that Board, and by it applied for the maintenance of the dykes along the Yangtze River and for such other purposes as may be possible with the money available. The importance of this reform is obvious. It brings to notice in the most forceful manner the fact that there is a Central Government superior to the Provincial Governments.

I fear that the time is even now far distant when the National Government will be able to impose its will on all the Provinces. Except in those of the Lower Yangtze Valley, the powers of the Provincial Government are practically complete. The influence of the National

Government over the Provincial Government of Szechuan, for example, is remarkably small—indeed so small as to be negligible. It is questionable whether the forces at the disposal of the Provincial Governor of Szechuan are not actually greater than those at the disposal of the National Government. It is this weakness of the National Government which permits the activity of the war lords whose existence is a disaster for China.

vii. *The Future Economic Development.*

Apart from the internal relationship of the Chinese Government and the Chinese people which has been discussed above, there are certain aspects of economic development which deserve consideration.

It seems inevitable that China will follow the path of the West, of India, and of Japan, in encouraging industrialization of the country. Views as to the advisability of this development vary widely. In some quarters industrialization is anticipated with joyous confidence, as a certain method of enrichment of the country. Others hold that industrialization will be a calamity. Judging by the experiences of India and of Japan there is much to be said in support of the latter view. The industrialization of Russia was deliberately planned with a political object—that of strengthening the political power of the towns and of providing an amenable mass of workmen, easily organized to support the particular views of the governing class. The Chinese Government would seem well advised to give careful consideration to the subject before allowing any widespread industrialization of the country—particularly if the factories are to be owned by foreigners. To-day a large portion of the factories at

work are so owned. Many of them are owned by Japanese. Apart from the danger of exploitation of the lowly paid Chinese labourer, there is an additional danger of international friction where the ownership of factories in China is in the hands of a foreigner.

It is argued that the work of the hand in the factory is no harder, indeed is frequently much less severe, than that of the peasant on the land. That may or may not be true, but at least the peasant on the land is working in the open air and for his own profit and for that of his family, while the factory hand works inside the factory and for the profit of the factory owner, be he Chinese or foreigner.

The Chinese factory laws are stated to be the best in the world. They were drafted after consultation with the International Labour Office. They have nowhere been put into force, and it seems improbable that the expense which would be involved if they were could be met from the profits of the factories.

A further consideration lies in the probability that industrialization of the country will lead to progressive increase in import duties and a deliberate policy of excluding foreign goods which compete with locally produced articles: this policy might quite conceivably become an effective weapon for squeezing out the foreign trader.

Turning to the future of agriculture, it is probable that there is no country in the world which contains a more frugal, hardworking, and cheerful peasantry than China. It is also probably true that in no country in the world is the average holding smaller than it is in the villages of China. The whole agricultural population may be said to be living on the verge of famine. There are very small reserves of food in the villages and the failure of one crop

results at once in widespread distress. It has been recorded by Mallory that in the last century there have been one hundred and eight famines in China. Commonly the opinion is expressed that this famine is due to the density of the population. An examination of the famines of the century proves that a very large majority occur in the areas where the population is sparse rather than where the population is dense. The same phenomenon is found in India. Indeed it is not unnatural, as the density of population occurs in those areas where climatic conditions are more regular and more favourable to the growth of agricultural crops.

China is by no means over-populated. If the whole of the cultivable area were used to the best possible advantage, there is little doubt but that China could support an even larger population on a higher standard of comfort than exists at present. Steps have already been taken both by the Government and by independent organizations to improve cultivation and consequently the yield of agricultural crops: to introduce co-operative methods of finance and of purchase and sale, and to stimulate the extension of village industries. Prospects in these directions are good. The village community is likely to prove a fruitful field for co-operative effort, and the nature of the people justifies the hope that those village industries which are being taught in various Provinces will spread rapidly. They are largely intended to employ time at those seasons of the year when agricultural operations are at a standstill.

viii. Certain International Questions.

There are certain international questions which have frequently been agitated, never been finally settled. Of these the most important is possibly extra-territoriality—

commonly and conveniently termed 'extrality'. The Chinese National Government has consistently endeavoured to obtain the removal of extra-territorial rights of the various nations, and on 12 February, 1931, Dr. C. T. Wang, then Foreign Secretary, used the following words in the course of a speech. 'The Chinese Government and people are fully resolved to exert their maximum efforts to attain this end (i.e. the formal termination of extra-territoriality) and any further delay will only intensify their determination to see it consummated. I sincerely trust that China will not be forced to adopt any measure to obtain her objective other than that of friendly negotiations.' The implied threat to the large majority of nations of the world was doubtless for home consumption. It is unthinkable that China could be successful in the use of force to attain this end.

Extrality is exercised by foreign powers in two ways. First, there are areas of Chinese territory known as Concessions, where the administration is foreign. Second, by treaty rights, the nationals of a considerable number of foreign States are not amenable to the jurisdiction of Chinese courts.

Doubtless both these anomalies will disappear in time, but their disappearance is not a matter of the immediate future. An apologist for the Concession system has a strong argument in its favour in the fact that a considerable number of the Ministers and superior officials of the Chinese Government actually have their homes in the International or in the French Concession in Shanghai, and that the Head Offices of all important Chinese banks of Central China, including the State Bank (the Central Bank of China) are to be found there. And when the Japanese attacked Chapei, the residents of that portion of the Chinese city poured into

the International Settlement by the hundred thousand as into a haven of refuge. Safety outside the Concessions cannot be compared with safety within their borders. When the Chinese residents of the Concessions (there are more than two million in the Shanghai Concession) are determined that extrality shall cease, there can be little doubt that it will cease. They could at once render orderly government impossible.

An obstacle to the disappearance of extrality will be removed when confidence is felt in the impartiality of the Chinese courts, and in their ability efficiently to discharge their business. The experience of certain officials of the National Flood Relief Commission, honest men who were prosecuted on account of their very honesty by persons who had hoped to make illicit gains, would justify the opinion that the time has not yet come for the Chinese courts to be judged adequate to decide cases in which foreigners are concerned. The Commission officials were called upon to disprove allegations supported by no kind of evidence, and were still under trial nine months after the information had been laid.

International relations between China and the other Powers cannot be normal until extrality disappears. It is an anachronism and will perforce disappear as conditions in China improve and the National Government strengthens its position. The conditions of disappearance are public security for foreigner as for Chinese, and reform in the practice of Chinese courts.

The question remains how far and in what manner China can be assisted by foreign nations. This question was once discussed with a prominent official of the League of Nations. His argument was that China was certain to be modernized, that this would be done by one of three Powers—Japan,

the United States of America, or the League of Nations. And his opinion was very naturally, and very strongly, that it was to the interests of the world that the last named should be the one to assist China in this process of change.

Doubtless, in consequence of this policy, China has been inundated by a series of missions from the League during the past two years. There have been medical experts and engineers, educationalists, agricultural experts, political experts, economic experts, all of whom have inquired and reported to the Chinese Government and to the League. The League has in fact done all it has been able to help on the theory of construction of China. But it has failed in the one important question, for the decision of which China relied entirely upon the League, viz. the question of the Japanese attack on Manchuria and on Shanghai.

People ask what the League could have done. The League unanimously condemned Japanese action and yet allowed Japan to resign its connection. One thing it could have done would have been to have taken steps to sever that connection itself.

The League of course laboured under the disadvantage that the United States, though working in the closest connection with the League, did not belong to it. There still remains one avenue which has not yet been explored. In her action against China, Japan deliberately infringed the provisions of the Nine Power Treaty of 1922. Of that Treaty the United States of America, in addition to the most important Powers belonging to the League of Nations, was signatory. It does not appear that the signatories of the Nine Power Treaty are released from the obligation to see that the provisions of that Treaty are observed, even though the League has found itself impotent in this matter.

What do the United States, Great Britain, France, and Italy propose to do to see that the provisions of the Nine Power Treaty with regard to the territorial integrity of China are carried out? Is China to be left to fight its own battle in this matter? If so, what is the use of a Treaty? I quote from Mr. T. V. Soong. He has said:

'International agreements are of use when backed by force. The law of the jungle still rules, and to-day, we are paying the price of our military weakness. Therefore, if China is to survive as a nation, she must prove herself capable; she must become an adept at slaughter.'

Again he said:

'We have been patient under the utmost provocation, but our acceptance of the pious admonitions of the European Chancelleries to refrain from aggravation has only resulted in our losing vast territories without the firing of a single shot.'

It is estimated that Chinese national armies number two millions, and that the Communist and bandit forces number two millions. A conscription law has now been passed which provides 30-35,000,000 men for military service. It is an appalling thing to contemplate the possibility of a force, even one-fifth of the size contemplated, adequately armed and provided with the necessary artillery, tanks, and airplanes. Yet that appears to be the alternative to failure on the part of the rest of the world to deal with the Sino-Japanese question.

Too long the Western world has looked upon China as a country for commercial exploitation. Even to-day a very large section of the population of Western countries still regards it in that light, but the time has come when far

more is required from friendship with China and when foreign countries must contribute, not only sympathy, but what help they can give. Criticism is of very little use. Individual countries will unquestionably find it difficult to render effective help as the acceptance of help from a foreign country is a delicate matter and liable to lead to unpleasant obligations. But through the League of Nations the world can continue the policy which it has already begun and can help China to put its own house in order.

ix. *The Hope for China.*

The people of China have very remarkable characteristics. My own experience has been confined to the administration of Flood Relief in the Yangtze, Hwai River, and Grand Canal regions during the years 1931 and 1932. This included the reconstruction of nearly five thousand miles of main dyke, which had been washed away by the floods.

In November 1931, after an inspection, I judged it quite impossible that the work could be completed by the end of June 1932—a task which was essential if the land was to be protected from flood in the latter year. This opinion was shared by everyone with a knowledge of the facts. The work, however, was completed in time, and this though no machinery was used. The whole of the engineers on the dykes were Chinese. The remuneration for work done was largely given in wheat, a grain to which the people were not accustomed.

It is impossible to exaggerate the merit of that performance, and a people which could carry it through could do anything. The people are, as I have said, hardworking, frugal, and cheery. They are hospitable and contented with very little

indeed in the way of luxury, but as one of the greatest of them—Mr. T. V. Soong—has himself pointed out, the weakness of the Chinese nature lies in its refusal to face facts.

It is an essential condition of progress, in the case of the State as in the case of an individual, that facts should be faced, and that where things are wrong the wrong should be admitted. Only then can it be eradicated. There are men in China to-day who have learnt that truth and who are acting upon it. In them is China's hope. Their task will be rendered the easier of accomplishment if their endeavours receive from other nations the support which they deserve.

CHAPTER IX

THE GOLD STANDARD IN INTERNATIONAL RELATIONS

by

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FOR many years enthusiasts for a better international understanding have advocated the establishment of an international currency in order to facilitate international co-operation. They were unaware of the fact that such a currency existed as long as the monetary system of the most important countries of the world was based on gold. The real importance of the gold standard for economic international co-operation became thoroughly apparent only after it had broken down in the fateful years following the world crisis of 1929.

i. The Mechanism of the Gold Standard.

The existence of a fairly universal gold standard made the entire world a closely connected economic unit, intersected, it is true, by custom barriers. But as long as the various national currencies were fairly stable, tariffs diverted trade but did not destroy it. And the States which were not on the gold standard and suffered or enjoyed fluctuating currencies could always attach their unstable systems to the stable systems of the gold standard countries.

Wherever the gold standard prevailed the currency of a gold country could automatically be converted into the

currency of another gold country. The value of the ounce of gold could be expressed in dollars as well as in pounds sterling; the dollar price of the ounce of gold and the sterling price of the ounce of gold were both fixed by law. It followed that the dollar price of the pound and the sterling price of the dollar were connected automatically. Small fluctuations between various gold currencies were indeed the order of the day. They were restricted within narrow limits, the so-called gold points. The amount of gold contained in a full weight sovereign was the absolute equivalent of the gold contained in $4.86\frac{2}{3}$ dollars. But to pay a debt of 4,866 dollars in New York would cost a little more than 1,000 sovereigns, for the sovereigns had to be packed, insured, and transported, and during the voyage loss of interest would be incurred which the debtor had to add to his expenses. As long as a bill on New York cost him less than the equivalent of 1,000 sovereigns plus transportation costs from London, he would prefer to buy a bill. If the price of the bill went to say 4.90 to the pound sterling it would be cheaper to send sovereigns. But as long as gold could be moved freely from one country to another, prices could never rise beyond the parity, i.e. the relation of dollar and pound sterling emanating from their gold contents, plus the expenses of moving. Or in other words, as long as exports and imports of gold went about freely and automatically, the fluctuations in the value of currencies of gold countries to each other were strictly limited. As soon as gold exports are stopped, this relative stability is immediately destroyed. In the first days of the World War, when heavy American payments in England fell due and when there was no possibility of exporting gold, the value of the pound sterling rose to 7 dollars for a few days.

The stability of exchanges between gold countries has enormously facilitated international trade. The importer who buys raw material abroad can do so on credit, for he knows that, whatever may happen, the price of the foreign currency calculated in his own currency cannot be very much higher on the day on which he is bound to pay than on the day on which he contracted his debt. And the exporter, on the other hand, knows that the foreign currency bills, in which he is paid, will net him within very narrow margins the amount in his own currency which he originally expected.

ii. *The Stability of Foreign Exchange.*

The universal use of a gold standard does more than this. The price-levels of the different countries are not the same. But there is a relation between them which is kept fairly stable by the automatic working of the gold standard. Gold is no longer the actual circulating medium; it merely serves as cover for banknotes. Most central banks have the right to issue $2\frac{1}{2}$ to $3\frac{1}{2}$ times their gold reserves in notes. These notes of the central banks form the ultimate credit reserve of the entire country. For the private banks are in the habit of selling their claims against their debtors to the central banks, whenever their creditors ask for payment. The central banks buy these bills owned by private banks with their available notes, and the private banks satisfy their creditors with these notes. But the central banks are limited in the issue of notes by the proportion fixed between gold and the note issue.

When the balance of payment of one country to another becomes unfavourable there is a greater demand for foreign bills of exchange. The price of the foreign currency in terms of the home currency is bound to rise. But it cannot

rise above a certain point. For as soon as this point is reached, gold begins to flow out automatically and the rise of the exchange is arrested. A considerable loss of gold can be a serious affair for the central bank and for the country it serves. The amount of notes issuable is restricted by the amount of the gold cover, and when this gold cover is shrinking the paper issue contracts at a much quicker rate. Each million of gold lost may mean a contraction of three million notes or credits respectively. And a contraction of credit may paralyse the economic activities of a country.

For this reason the central bank raises its discount rates. The raising of the discount rate makes short-term borrowing more onerous. It deters would-be borrowers from borrowing. It makes debtors desirous to rid themselves of their debts, which are more burdensome than they were before. They can only do so by selling stocks, and by doing so they depress prices. Depressed prices of commodities and depressed prices of currencies combined induce foreigners to buy additional supplies in the countries experiencing them. Exports are stimulated, whilst at the same time a depressed currency, high rates of interest, and falling prices combine to restrict imports. An automatic effort is made in this way for re-establishing the balance of payments. It is greatly facilitated by financial transactions. For the increased discount rate makes it profitable to foreign bankers to buy bills in the depressed currency, in the double hope of making a higher income from discounts than they do in their own country and of repatriating from abroad their short loans at a rate of exchange which will enable them to buy a greater amount of their home currency with the same amount of foreign currency than they gave for it when they began the transaction.

In this way the gold standard kept various currencies stable. It kept the various national price-levels tied up with each other. It distributed short-term credits amongst the countries connected by it in such a way that serious disturbances in the balance of payments between the countries were very rare.

iii. *Defects and Merits of the Gold Standard.*

The gold standard worked somewhat in this way before the war. There were a great many hitches, of course. Again and again countries did not keep their budgets properly balanced and threatened not only the stability of their public finance, but of their currency. Or gold, being an important item in the national economic armament of the various nations, was prevented from flowing out or attracted to a central bank by artificial means. Political quite as much as economic events brought about a crisis. When countries had borrowed too much abroad and were unable to pay back interest or sinking fund by the regular export of goods and services, the gold reserves at their disposal were often insufficient to meet their excess liabilities. If they could not get fresh loans to bridge over the gap or if their creditors were not willing to let them have a moratorium of some sort, they either had to let go their reserve completely or they freed the central bank from the obligation of redeeming the notes in gold. They practically went off the gold standard.

Nor did the gold standard succeed in keeping prices stable, though by spreading all changes which arose from local causes universally amongst all participating countries it made fluctuations far less violent than they otherwise might have been. Price changes, however, go on all the time.

They are sometimes the result of technical progress, of new inventions, or of special events; new processes of manufacturing goods make for reduced costs and consequently very often greatly lowered prices; prices of raw materials and food-stuffs are affected by the opening of new and cheaper supplies or by bumper crops.

The fall of important individual commodity-prices is bound to affect other commodity-prices in a double way: the reduced cost of raw materials is reflected in a corresponding decline of the prices of manufactured goods. On the other hand the income of the producers is very often lessened by a fall, their purchasing power is diminished, and this diminished purchasing power may ultimately affect the price of other goods purchased. The dislocation in the price structure, the violent sagging off of certain price groups, whilst other groups remain stable, causes serious economic dislocations, which may be followed by social disturbances. The gold standard is quite unable to prevent such disturbances; but in this respect it is not worse than any other standard. The huge fall of agricultural prices in the last decade in relation to industrial prices, was due to a combination of greatly intensified agricultural methods with bumper crops. It was in some ways intensified by the great credit expansion which business indulged in all over the world. But it was not due to monetary causes. The so-called gold scarcity was not responsible for it. For even assuming that there was such a scarcity—and even the most lugubrious observers never acknowledged an existing scarcity, but only a possible scarcity in the near future—there is no reason whatsoever why such a scarcity should have reduced the prices of a series of articles by let us say 50 per cent, whilst a series of other wares was only affected

by 20 per cent. Neither the gold standard nor any other standard can prevent the rise of a disequilibrium between various groups of prices composing the price structure.

And there is this shortcoming of the gold standard which cannot be denied: The purchasing power of gold is not stable. Under the gold standard a fixed income does not provide its owner with the disposal over a stable quantity of goods; it sometimes rises, and it sometimes falls. If these movements are very violent within a short time, they lead to very serious consequences. The farmer who has contracted a debt on his farm at a time when wheat brought him a dollar, will scarcely be able to pay his debt when wheat has fallen to 50 cents. The gold standard does not prevent the outbreak of a crisis: it does not provide a guarantee against overspeculation; it does not secure people against economic miscalculation. It is not a golden key to an economic paradise. It can neither prevent economic mismanagement nor can it cure it. It is an instrument which has to be handled wisely. If wisdom is absent in its management, it will not work.

But it has one advantage over other monetary systems: It is by no means fool-proof, but it is more fool-proof than others. The presidents of central banks who are tied down by strict automatic rules which force them to keep credits in some relation to their gold reserves are not able to expand them indiscriminately, however severe the pressure may be which public opinion puts upon them. Their action is circumscribed by the law, but it is protected by the law as well. They may make mistakes, and many bank presidents have made mistakes, by expanding credits too easily, and by putting on the screw too late. In that way they may be held responsible for their share of the crisis. But

if they had not been bound by strict legal obligations, they would have gone much farther in the period of boom and they would have been much more reluctant to restrict when the crisis set in. Popular opinion is always for cheap money, and always in favour of making sunshine-campaigns. As long as strict rules exist and are intelligently applied, a certain amount of monetary security is guaranteed. If they go, arbitrariness will be the rule.

iv. *The Gold Standard and the Crisis.*

The gold standard has not worked well within the last ten years. This was mainly due to political reasons. The automatic flow of gold from one country to the other was originally not impeded. In fact it reached unsound one-sided dimensions, most of the gold accumulating in France and the United States. France and the United States were the great creditor countries of the world who are entitled to a big annual return of interest on their investments as well as on their political loans. Owing to their protectionist policy, they were unwilling to receive the balance due to them in goods, so they had to let it stand in other countries, where it could either be eaten up by their tourists, or reinvested. Reinvestment was not over-popular with the public, especially in France, on account of the bad experience it had had in the period of inflation. So these countries insisted on getting gold; the balances kept abroad were kept on short terms, subject to sudden recall. And when such a sudden recall takes place as happened in England in the crisis of 1931, withdrawals were so enormous that neither the gold reserves nor the available credits were large enough. The result was the breakdown of the gold standard in England.

Deplorable as these results were, they can scarcely be charged to the gold standard. England is off the gold standard now. If for some reason the very big balances which were reimbursed to her were once again suddenly withdrawn, the pound sterling would go down at a terrible speed quite as much as it did two years ago.

On the other hand, the automatic working of the gold standard on the price-level in different countries was not allowed to take place. In many countries a great many prices had become rigid. In certain trades the position of labour was so strong that wages were kept high quite out of proportion with other wages and with the cost of living. Or monopoly prices by cartels and trusts were maintained, whilst the prices of other goods were depressed. In both cases the additional exportable surplus of the country, which a general fall of prices would have brought about, was greatly diminished and the automatic adjustment prevented.

It must be acknowledged that the gold standard did not prevent the development of such a state of affairs. But it is more than doubtful whether results would have been different or even better if other currency systems had existed.

v. Controlled Currency and Price Stabilization.

It is not at all difficult in modern days to run a currency not attached to gold. The value of a currency depends less on the cover on which it is based than on its quantitative relation to the total of economic transactions it has to carry out. If the note issue is restricted to the needs of the country for circulating medium, it can be kept quite as stable in relation to other currencies and in relation to the prices of commodities as can a gold currency. The difficulty is less theoretical than practical. Under the gold

standard the amount of notes issued and issuable, and with it, indirectly, the total amount of credits which can be granted, is more or less automatically fixed; under a currency dissociated from gold, no simple automatic rules can be devised. It is possible, of course, to fix a limit quantitatively by bringing it into relation with the amount issued formerly, when the gold cover restrictions held good; in that case not much would be gained by cutting the connection. Or a more flexible system can be chosen. Instead of aiming at a stabilization of exchanges, the stabilization of price-levels may be attempted. In this case the central bank will be instructed to raise or lower its note issue and with it the amount of credit available for the entire business world in an inverted proportion to prices. When prices, as measured by index numbers, fall credit must be expanded in such a way as to compensate the downward trend on the commodity side by a corresponding upward tendency on the money side. Vice versa, when prices rise the volume of money and credit must be contracted. In that way price stability, as far as the home market is concerned, is to be assured, and the consequences of severe price fluctuations can be avoided. It may be assumed that a really intelligent bank management can 'dose' its note issues in such a way as to achieve stability expressed by index numbers. But it is very doubtful whether the stability of price-levels is of real importance as far as social frictions are concerned.

What really makes for social friction is the dislocation in size and in purchasing power of the income of different classes. When the price of wheat falls very much more than the price of the commodities which the wheat farmer has to buy, his situation would not be improved upon if stability of price-level could be achieved. For in this case the

decline of wheat prices might be compensated by a rise in the price of building materials and textile goods. What the one group has lost, the other group might gain. And the unfortunate farmer would suffer a double loss: he would get less for his produce and would have to pay more for what he buys. The difference would not be compensated but doubled. It is not proven that money and credit expansion, even when successful, can level up falling prices in such a way as to redress the discrepancies which brought about the decline. The experiment carried out by the American Government for raising prices has shown quite clearly that this is not the case. Its main object was to help the American farmer by raising the price of his wares. It has indeed driven up these prices considerably by monetary and financial means. But the prices of industrial goods, which in some cases had fallen less than the prices of farm produce, have responded far more quickly to easy money conditions than have agricultural prices. Discrepancies have not been diminished, they have been increased. And the American Government has been forced to stop the rate of rise of industrial commodities by special legislation, whilst it is at the same time trying very hard to speed up the rise of farm product prices by an artificial reduction of agricultural production. Currency manipulation can inflate or deflate the price-level, but it is not an adequate method for correcting the discrepancies between the different groups of commodities from which social friction and political disturbances take their rise.

There is only one discrepancy which apparently it can really settle: By driving up the general price-level it can reduce the purchasing power of the money unit, and by doing this alleviate the burden of the debtor. It can shift

the burden from the debtor to the creditor. But even here it is very doubtful whether any permanent social adjustment can be achieved. There is no reason why the solvent debtor ought to get a reduction of his burden which the insolvent debtor must have; why should a railroad company which earns a lot of money, and can easily pay its bondholders, default by currency manipulation because another railroad company is in the hands of the receiver?

It is, moreover, rather doubtful, whether such average reductions as are possible under a system of average adjustments of the purchasing power of money will really solve the problem. The farmer whose income has fallen by 50 per cent because the commodities he sells on the market have declined by that rate, will not be saved if he gets an average reduction of 30 per cent on his debts whilst his outgoings rise in about the same proportion.

Assuming, however, that scientific manipulation of the currency by inflation or deflation based on a commodity dollar or on other technical methods is possible, there is no guarantee of a really scientific management. The gold standard is fairly easy to handle; it may be said to be nearly fool-proof. Notwithstanding this great advantage a considerable number of mistakes has been made. Some of these mistakes were due to bad judgement, others again to the more or less illicit influence of politics. The scope of giving way to such considerations is comparatively small where the gold standard prevails. The banking authorities can give way only in so far as a very strict automatic legislation permits them to do so. If the fool-proof machinery of the gold standard is swept away, the chances of making mistakes are greatly increased. And the possibility of resisting popular demand will be greatly diminished.

Credit expansion by means of cheap money very naturally is more popular than credit contraction. And if the banking authorities are not prevented by law from going into unwise credit expansion, they are likely to give way to popular pressure. And when they are not compelled to resort to credit contraction it is very doubtful whether they will have the courage to embark upon a policy which must bring at least temporary misery to many people, and which is scarcely likely to lead to ultimate salvation, if popular pressure will insist on bringing the cure to an end long before the patient is on the road to recovery.

For this reason the demand for a manipulated currency is far less outspoken amongst the central banking authorities, whose business it will be to manipulate the currency, than amongst the people who hope to be able to exercise pressure on the banking authorities when they are no longer protected by rigid laws.

vi. *Exchange Fluctuations.*

A currency dissociated from gold as a cover will not need to dispense completely with the use of gold. As long as gold will be taken by other countries at an almost stable price, a gold reserve is an excellent thing. It enables the holder to liquidate his debts immediately by sending gold abroad. But when the connection between gold and notes is severed, because the notes are no longer redeemed in gold, the stability of exchanges is no longer automatic, especially when the country concerned does not permit the free outflow of gold and puts an embargo on its exportation. In that case the national currency can fall rapidly when expressed in other currencies. This fall has very great consequences. The play of the exchanges between the gold points, wherever

there are connected gold currencies, affects exports and imports within very narrow margins. For the possible fall or rise of a currency is restricted to a few per cent on each side. A currency freed from gold connection can fall by 20 and 30 per cent within a very short time. This fall acts as a very efficient protection to the home market. For prices on the home market do not change immediately, whilst the proceeds of a sale of foreign goods against the home currency will bring a loss to the foreign exporter who has delivered the goods and is merely waiting for his money. This happened on a very large scale when England left the gold standard. On the other hand, exporters in the depreciating country are paid in a currency which has risen considerably in value, when converted into their national currency; they may make an extra profit of 30 per cent on transactions which have taken place some time ago. They can thus afford to quote much lower prices when they ask for new orders and increase their country's exports considerably. For a short time prices and costs at home remain unchanged, but for the rise in costs of foreign raw material. And during this period the depreciating country is bound to make extra profits. Whether these profits will be outweighed by losses depends on the fact whether the depreciating country is a debtor or a creditor country. When England went off the gold standard, the holders of British currency bonds all over the world were greatly damaged. But England was really a creditor country, and the profits she made on depreciating her own obligations would have been counterbalanced and more than counterbalanced by the loss suffered by her own holders of foreign bonds issued in pounds sterling. She profited probably for the time being. For many of England's debtors had gone into the bankruptcy

court anyhow, and it did not matter very much whether they did *not pay* in pounds sterling worth 4.86 dollars the pound, or whether they did *not fulfil* their obligation in pounds valued only at 3.50 dollars. In the American case the situation was much clearer. America owned a huge amount of dollar obligations, whilst she owed comparatively little. She made a handsome present to her foreign debtors, because she wanted to depress the dollar in the interest of her powerful home debtors.

The advantage gained from a depreciated currency is, however, merely transitory. After some time home prices are bound to rise, especially wages, and everything would settle down on a new international equilibrium if currency depreciation had not had far-reaching consequences abroad. The depreciating country does cut prices on the world market by offering its goods cheaper than other nations. Other competing nations have to retaliate. Some of them do it by depreciating in the same way. If all countries depreciated their currencies at the same time and to the same degree, the stability of the foreign exchanges would not be touched. If on Monday the pound sterling were reduced by 50 per cent from 4.86 dollars to 2.43 dollars, and the dollar when the news reaches New York were reduced in the same ratio, the 2.43 dollar rate to the pound would immediately return once more to a 4.86 dollar rate. Nothing would be gained by such methods.

Experience has shown that things are not done in this way. When England went off the gold standard a few countries immediately went along with her. Her main creditors at that time, the United States and France, did not do so. They lost about 30 per cent on their credits which they were withdrawing in a panic. But after Eng-

land had kicked off the ball, others followed suit. They either had to cut down their own costs and the prices they demanded on the world market by non-monetary means, or they had to depreciate themselves. In doing this, they drove down world market prices by a series of competitive measures, until a state of affairs was reached when the relations of the different price-levels to each other would be nearly the same as they were before.

This competitive currency depreciation to which competing countries are driven makes manipulated currencies a great menace to international co-operation. Fluctuating currencies bring an element of gambling into international co-operation which is very dangerous indeed. Long-term investment of funds in foreign countries becomes almost impossible, for people are frightened of depreciation. Liquid means concentrate in those countries which are considered safe and sound. Capital flies from countries whose currencies seem to be in danger and concentrates in others. Some of them are countries whose currencies are considered sound, others are countries whose currencies have depreciated to such a degree that there is some legitimate element of hope that the worst is over. Fluctuations are very violent and very sudden. Markets are disorganized. World market prices are being depressed. For whenever a kind of equilibrium has been reached, some country thinks it might get a new margin of benefit by starting a currency depreciation of its own, either to get even with those who have done it before, or in the hope of outdoing them. Thus, within the countries which depreciated their currencies when England did so, some of them, like New Zealand and Denmark, have since gone farther. The result of it all is that restrictive legislation is introduced in many countries

which are still nominally on the gold standard. Gold may not be exported; foreign exchanges are controlled. The control of foreign exchanges by a government is practically equivalent to an indirect control of exports and imports. The exporters have to hand over the exchange they get to their central banks; importers are not allowed to buy without their permission. And it depends entirely on the bank whether they will give them the foreign currency necessary to liquidate their obligations.

Thus currency manipulation leads to competitive depreciation on the world market, and competitive depreciation leads to a further decline in world market prices at a time when a rise in the world market prices would be essential. Exchange control throttles international trade far more than tariffs have ever done. It makes its functioning almost arbitrary, and it is bound to lead the nations who are subject to it for a long time into a kind of nationalistic planned self-sufficiency. It makes international co-operation far more arduous than it has ever been before. It is more difficult to handle than the gold standard and produces problems which are far more ticklish than were those the gold standard had to deal with. And there is no reason to assume why people who cannot handle successfully a comparatively simple and automatic system like the gold standard should be more successful when handling an extremely complex and very delicate mechanism.

CHAPTER X

INTERNATIONAL ASPECTS OF AMERICAN MONETARY AND ECONOMIC POLICY

by

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i. *European and American Economic Opinion.*

EVEN the most detached of American economic observers seldom find absolutely common ground with Europeans. This is markedly true of their respective attitudes toward the present American monetary and economic policy. European economists are practically unanimous in the opinion that international action is essential if the world is to be lifted from the slough of despond into which it has fallen; they are prone to insist that prosperity must be widely shared if it is to be attained at all; and they deprecate purely national efforts at recovery as a delusion and a snare. Most American economists, on the other hand, are by no means convinced of the necessity of international agreements as a *prerequisite* to prosperity; they see no reason for believing that the prosperity of all is the *sine qua non* of the prosperity of any; and, in the absence of the unattainable ideal, they are ready to put their trust in the principle that initiative, like charity, begins at home.

As is so often the case where reasonable and well-informed men disagree, this difference in attitude is a product of environment. The production and trade of all European nations, save Russia and possibly France, is to a much greater

degree determined by international conditions than is the case with the United States. Absolute self-sufficiency is, of course, out of the question for any modern nation, but a very large measure of it could be attained in the United States without any serious derogation from the relatively high standard of living attained before 1930 and with a good deal higher standard than we have had since that date. If this be granted it follows that, solely from the point of view of self-interest, the United States can show a much greater indifference to international economic agreements and to the prosperity of other nations than European countries, similarly motivated, can afford.¹

No emphasis, however, should be laid upon economic self-sufficiency, or upon crass nationalism, as an explanation of the differences of opinion between European and American economists. American economists are no more favourably disposed toward economic autarchy than are their European confrères. All agree that international co-operation toward economic ends is highly desirable. Such co-operation is, however, extraordinarily difficult of attainment and the fault is not altogether that of Americans. In these circumstances Americans are disposed to explore the possibilities of domestic action and the issue then turns not on nationalism *v.* internationalism, but on the method by which economic recovery, including a large quantum of international division of labour, may be achieved. The American does not see why the initial impetus may not be given in his own country,

¹ That the prosperity of one nation is not necessarily conditioned by that of others is shown by the great, and more or less permanent, contemporaneous differences in the economic welfare of different nations throughout recorded history. It has been not unusual, moreover, to have rising prosperity in some countries while that in others was declining.

with later beneficial repercussions on all other lands. The European, on the other hand, is inclined to think that unless a world-wide, synchronized, recovery can be inaugurated by international co-operation, any merely national improvement is doomed shortly to collapse, leaving the world in still worse state than if it had never occurred.

ii. *Background of American Opinion.*

I would not presume to say that the European view is wrong, but, in support of the American view, I would urge the following considerations:

(1) Under normal conditions the United States produces and consumes a very large proportion, perhaps 40 per cent, of the world's output of commodities aside from primary foodstuffs.

(2) Any sizable upward movement in American economic activity is bound to result in a great increase of imports of industrial raw materials and tropical foodstuffs.

(3) Other imports into the United States, even in times of world-wide prosperity, have in recent decades been of relatively slight importance. The only classes of manufactured goods which, in the prosperous period of 1922-7, amounted to more than 1 per cent of total imports of the United States were newsprint, cotton goods, woollen goods, and burlaps, and none of these exceeded $2\frac{1}{2}$ per cent of the total. Seven unmanufactured items (sugar; silk; rubber; coffee; fruits and nuts (mainly tropical); raw wool; hides, skins, and furs accounted for more than 42 per cent of the total of American imports in those years, and the proportion of any of these commodities produced domestically is not likely to increase materially under even the most extremely nationalistic of economic policies. A few other imports

amounting to more than 10 per cent of the whole and including tin, exotic tobaccos, certain fertilizers, long-staple cotton, diamonds, cocoa, sisal, and hemp cannot or will not be produced in the United States, and of the remaining 48 per cent of imports a large proportion is, in greater or lesser degree, in this category.

(4) The inevitable expansion of imports which will thus accompany a revival of production in the United States will provide large amounts of dollar exchange to foreign countries which will be employed by the recipients to buy either American or other exports. In the latter case the circulating dollar exchange will again be diverted either to a third group of foreign countries or back to the United States which it must, in any case, eventually reach. It will thus inaugurate a virtuous circle of expanding trade and productivity with beneficial reactions reaching to every country of the world.

(5) Economic nationalism is no new phenomenon nor is it confined to the United States. We are prone to think of the pre-war days as the halcyon time when trade was free and men rejoiced in the right to buy or sell where they would, without 'benefit' of tariff or other restrictions. Except for Britons as buyers, and for other countries as sellers in that market only, all this is sheer delusion. The world would, without doubt, have then been better off if the present retrospective picture happened to be true, but the fact is that then as now we struggled along in a tariff-infested world which did not, however, prevent the realization of conditions which now seem to us to have been happy. The world is deranged about protection, but it will not go completely mad. No more in our own than in Adam Smith's day is Scotland likely to go in for viticulture under

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glass. In the United States, protection was long ago carried close to its practicable limits and cannot be much further extended. Much the same is true of many other countries. It makes no difference that a duty is raised from 50 to 500 per cent if imports had, in any case, been excluded under the lower duty. Most of the international trade which mercantilistically inclined nations are disposed to stop had been strangled for decades. Yet, until the great depression fell upon us, international trade had constantly grown in volume and, if production and consumption can be stimulated, even at first only in a single large country, foreign trade will presently expand to something like its former magnitude.¹ The facts already noted about American pre-depression foreign trade are sufficient evidence on this point.

(6) Nothing in the existing American monetary and economic policy under the National Recovery Act is inconsistent with free foreign trade, with international conventions in furtherance of territorial division of labour, or with the fullest co-operation with foreign countries.

iii. *Theory of the National Recovery Act.*

To the point just made I shall return later in the paper. For the moment it will be best to examine the thesis on which the National Recovery Act, in its domestic aspect, builds, so that we may have some basis for judgement of the probabilities of a happy outcome in both its internal and its external spheres of influence.

The Recovery Act proceeds on the assumption that the

¹ This expansion will, however, be inhibited until the restraints on trade, other than tariffs, which have been imposed in the past few years are lifted.

depression from which the world is suffering, though inaugurated by some cause or combination of causes more or less obscure, has, since its inception, been self-inflammatory. The initial presence of unemployment reduces purchasing power. This reduction in purchasing power is reflected in smaller orders for goods, a consequent fall in selling prices below current costs resulting in further unemployment, a repetition of the same effects, and so on in a vicious spiral to which there is no obvious end. No enterpriser can escape from the consequences of the sweep of forces over which, as an individual, he has no control. He cannot continue to employ workers, and maintain his former volume of output, since his outlays will not in any large measure return to *him* but will be dispersed over the whole field of consumption. Every enterpriser, in the effort to save his own skin, cuts down his output, reduces the number of his workers and their wages, diminishes total purchasing power so much more, and each, suffering from the repercussion of these activities on the part of others, is led to his own ruin by the very effort to avoid it. The ruin of the enterpriser, moreover, is accompanied by the still more tragic destitution of the workers he had formerly employed. There is no hope in individual action, but if a *concerted* effort be made to put workers back on the job, to raise total wage payments in greater proportion than the increase in output, and thus to put relatively enlarged purchasing power in the hands of eager consumers, the outlays of all enterprisers will, according as demand develops, return to each, and a circle of increased employment, expanded purchasing power, presently rising prices, losses turned into profits, and still more employment, may be substituted for the former decay.

Though the administration of the Recovery Act will

encounter difficulties, the outcome of which cannot be predicted with any confidence, this central thesis on which the Act rests is, in my judgement, sound. On a less valid theory, that profits reduce the monetary purchasing power directed toward output, undue emphasis is perhaps being laid on holding profits to a minimum. Profits will reduce purchasing power if they are hoarded but if, as would be expected with a business upturn, they are invested in replacement of old by new and better equipment, or if they encourage extension of credit for this purpose, they will add perhaps much more than their own amount to the total of circulating monetary purchasing power, will provide new employment, and will especially aid the construction industries where the depression has been most severe and the possibilities of re-employment are greatest. Aside from this, however, little fault is to be found with the theory behind the Act. It is true that it will not appeal to those who allege the inevitability of crises under the capitalistic system or who saddle upon that old scapegoat, the World War, the responsibility of all that has happened since. The inconsistencies of these latter theories are, however, obvious. The destruction of capital caused by the war is, for instance, one part of the *bellum* theory and its later rapid reconstitution another. It takes, I submit, some casuistical talent to reconcile these elements in a single thesis. Many other theories seek to explain destitution by a general surplus. To establish even the guise of logic for this contention would be an impossible task even for a medieval schoolman. The fact is clear that prosperity can come only through constantly increasing general production and that if, in the process, maladjustments occur we need *devices* to cure them rather than resignation to supposedly inevitable vicissitudes. Our pious forefathers,

endowed with a too bounteous progeny, were disposed to remark that with every mouth there comes a pair of hands. This was not always true, but it is inevitable that with every pair of hands there comes a mouth and a desire for a far larger volume of this world's goods than we have ever yet, on a *per capita* basis, been able to produce. If the worries of those who think our ills are due to increased productive power should ever be justified, our problems, under a well devised economic order, would not be those now normally associated with unemployment but rather such as afflict the idle rich and the moralists who deplore their presence. Involuntary unemployment can always be cured by setting the idle to work to provide for their own consumption, and this is what the National Recovery Act, in essence, is seeking to do. Many things are not dared because they seem difficult and many seem difficult solely because they are not dared. This, I confidently expect, will prove true of those who have been fearful of the Recovery Act and, even if it fails, it does not follow that something even more boldly conceived and executed might not prove a brilliant success.

The point of *agreement* between those who are hopeful of the Act and those who think that nothing but thorough-going international co-operation can prove really efficacious lies in the necessity of concerted action. The point of *issue* is whether concerted action need be universally synchronized or can be initially confined to a single large country with not greatly retarded repercussions on a mundane scale. Time alone can give the answer to this conflict of opinion.

iv. *Price-Raising Policy and the Abandonment of Gold.*

An essential phase of the American programme is the raising of commodity prices. Lip service has been given

to this objective in every country. Except in the United States, however, no effective action has been taken to realize it. Unless commodity prices had been raised in terms of the dollar, the burden of fixed monetary obligations, incurred at a price-level much above the low one recently realized, would have been intolerable to American debtors and would inevitably have resulted in bankruptcies on a scale even as yet scarcely touched. When other countries balked at price-raising policies no reasonable alternative was open to the United States but to permit its currency to depreciate relative to other monetary units, in a measure proportionate to the depreciation in its domestic purchasing power. The American monetary unit could have been kept at its former parity with other currencies in one of two ways only, (1) through a sacrifice of American business and economic life, with an augmentation of the already devastating burden of unemployment, in the maintenance of low commodity prices, or (2) through a parallel price-raising policy in the United States and other countries. The first was rejected in America as not far short of insane and the second encountered unshakable foreign opposition or inertia. The decision to permit the dollar to find its equilibrium with other currencies on the basis of their respective purchasing powers was the result.

v. *The Breakdown at London.*

This decision was, of course, made before the Monetary and Economic Conference was held, but it was confirmed at London. I do not defend the vacillation, the apparent confusion of purpose, and the generally inept conduct of policy of the American delegation, but I feel that the possibilities of reconciliation of the American and European

points of view were not fully explored, that the vacillation of our delegation was matched by a rigid *non possumus* attitude on the part of the gold standard countries, and that the Conference broke upon an imaginary rock.

The meeting of minds was difficult because of national psychological scars deriving from the war and post-war experience of Europe. Practically all of continental Europe having experienced, or observed at close hand, the disasters associated with abuse of the currency was, and is, mortally afraid of inflation. Great Britain, where the war and post-war paper currency was managed not well but tolerably, was enthusiastic neither for the gold standard nor for price-raising measures, while the United States, having maintained a close approach to the gold standard throughout the war until the present year, and having found it unsatisfactory, was, on the whole, favourable to its abandonment. On the basis of pure reason the deflation which had been in progress since 1929 is to be regarded as at least as ruinous as all but the wildest sort of inflation, and the United States, with a different background from that on this side of the water, was not afraid to try to correct it by a method which, by reason of its possible abuse, was anathema to Europe. This was the fundamental source of the heat generated at London.

vi. *National Character of Monetary Policy.*

Monetary policy has always been regarded, soundly I think, as a purely national affair. What any given country may do in this field has, in the long run, very little effect on any people but its own. Exchange rates tend to settle at a point which equilibrates respective internal purchasing powers of the currencies concerned. Shifts in the exchange

value of any given currency against other monetary units sooner or later correspond with an equivalent alteration of price-levels, and international trade is therefore not affected one way or the other. The difficulties are merely transitional. The real question of monetary policy at London was how to avoid these transitional troubles without sacrificing the price-raising policy in the United States or the essentials of the gold standard in the bloc of countries desirous of preserving it.

In contrast with long-run results the abandonment of the gold standard is likely to be accompanied by an *immediate* decline in the exchange value of the currency concerned to a level very considerably below its relative domestic purchasing power. So long as the gold standard is maintained government must furnish gold at a fixed price in the currency in question, regardless of the demand at that price. When gold hoarding is prevalent this is a valuable perquisite to the holder of a gold currency, though in ordinary times it is of no particular worth to the mass of the population and, in times of hoarding, it is a nuisance from almost every point of view but that of the prospective hoarder. When, however, the privilege is taken away from the holders of any important currency the attractiveness of gold is increased and the enhanced demand is concentrated on the remaining gold currencies. This raises their value as against the free currencies (depreciation of the latter), puts a premium on export from non-gold standard countries and a burden on export from the countries still maintaining gold, and thus drains gold away from the latter. This so-called trade war is by no means a one-sided conflict. The countries which gain gold get it by selling their goods at slaughter prices and the countries which lose gold get the benefit of such

prices in the goods they receive in exchange for the gold. Trade relations, however, are disturbed, unemployment may increase in the gold standard and even in other countries, and the phenomenon in general is to be deplored.

vii. *The Way of Reconciliation.*

A general *ad hoc* departure from the gold standard, to the extent of laying a prohibition on its export while continuing domestic redemption of the currency at the established rate, would probably remove entirely any disability on commodity export trade under which the adherents to gold as a currency basis might otherwise suffer yet would not involve the countries in question in any danger of inflation. The tendency of such a measure would be toward the immediate restoration of the former pax of exchange, or their alteration only in compensation of a subsequent change in relative price levels, and thus to put exporters and importers in all countries on substantially the original basis. Refusal of the gold standard countries to consider this alternative at London seems rather like insistence on immaculate ritual than on the substance of virtue. Much was made of the necessity of maintaining an island of confidence in the midst of a shaken world. Confidence, however, is a word which has been used to cover a multitude of sins. It is true that the confidence of creditors is impaired when monetary standards fall but, when that particular confidence is being maintained at the expense of paralysis and imminent panic in all other sectors of the economic world, the question arises whether, by the abandonment of a standard which is, in fact, working disastrously, you will not, on balance, create far more confidence than you destroy. This is a question, however, which every country must be

permitted to answer for itself without any outside pressure being brought to bear. The United States answered it one way and voluntarily abandoned gold; the gold bloc answered it another and are apparently set on maintaining an unalloyed gold standard as long as it is possible to do so.

These diverse decisions, nevertheless, should not have prevented the possibility of an adjustment satisfactory to both sides. The American administration, let it be repeated, is eager to raise prices by almost any practicable means; the gold bloc wishes at all hazards to preserve the gold standard unimpaired and is not even ready for a vigorous general effort to lift prices in terms of gold. These are not irreconcilable but, on the contrary quite consistent aims. A *pro tempore* rate of stabilization having been agreed upon, and stabilization machinery provided, there is no reason why the United States should not have undertaken (1) not to change the rate oftener than once every month, (2) not to change it by more than 1 per cent on each occasion, and (3) only to change the rate in response to an already accomplished relative rise in American as compared with gold-standard country price-levels. Exchange rate alterations would then be subject to a constant anticipatory nullification in their effect on foreign trade since the antecedent alteration in relative price-levels would have furnished compensation for the change. Nothing like an exchange-rate war could therefore develop, and the Conference could have gone on to consider tariff agreements in perfect confidence that its deliberations would not be frustrated by incalculable and highly disturbing fluctuations in the relationship between the internal and external values of important currencies.

Why some such proposal as this seems never to have come before the Conference I would not presume to say, but

I would not be surprised if the responsibility were divided. The whole attitude of the United States during the Conference left much to be desired, especially in geniality, but it is perhaps not unfair to say that the gold bloc was somewhat inflexible, convinced of its own superior righteousness, and not much disposed to seek solutions outside its own formula of temporary *de facto* stabilization, fixed, legalized, and made permanent, as soon as possible, in an early general resumption of the gold standard along traditional lines. I rather think, too, that the whole weight of the Economic and Financial Secretariat of the League was thrown on this side though I have no reliable evidence on this score. From the point of view of Washington this represented undue rigidity of mental outlook in a changing and, in some respects, a new world.

viii. *The Path for the Future.*

If the proposal for a dollar of fixed purchasing power, to which President Roosevelt seems committed, be adopted, some such procedure as has been outlined above would seem to be necessary to a smooth operation of international trade and, if put into force, would permit the resumption of the Conference, and the discussion of tariff agreements, with some prospect of success. The deviation of exchange rates of such a dollar against the present type of gold standards need be no greater, over short periods, than has always been the case,¹ trade could therefore be carried on without disturbance, vicious speculation could be checked by appropriate

¹ If the dollar is given a variable gold content, with internal redemption and free export and import of gold, the conditions, *at any given moment*, would scarcely deviate at all from those which prevailed under the traditional gold standard.

devices, and a well-developed forward exchange market, supported by speculation of a beneficent type, would relieve merchants of all risk from long-, and even short-, term movements of exchange rates. I venture to assert that such a monetary standard, if managed with even moderate circumspection, would, in spite of some difficulties which might arise, give us a medium of exchange superior to any yet developed, not only for domestic but also for international economic and financial transactions.

ix. *The Gold Clause and its Repudiation.*

Before proceeding to a consideration of international economic, as opposed to monetary, aspects of American policy, I should like to say a word about the retroactive abolition of the gold clause in American contracts. The nullification of this clause, which called for payment of interest and principal in a fixed weight of gold, is a plain repudiation of the letter of the bond and, as such, subject to justifiable denunciation. The only defence is the easy and dangerous plea of necessity. Yet if the clause had not been nullified the whole ultimate object of the abandonment of the gold standard would, with respect to this very large class of obligations, have been lost. It would perhaps have been well, if possible, to distinguish between foreign and domestic holders of gold-clause securities on the ground that the denial of the stipulated rights of domestic creditors was an exercise of the police power from which the domestic creditors, along with other citizens, would benefit, but from which foreigners would, in large part or altogether, be excluded. The rush to transfer to foreigners all securities with a gold clause in the contract can, however, under these hypothetical circumstances, be contemplated

only with a shudder, and the suggested policy cannot therefore be held to have been other than impracticable. It is worth noting that the abolition of the gold clause cannot be attributed to a desire to exploit the foreigner, since the United States, which is a large net international creditor, stands to lose thereby much more on international account than it can gain.

x. *The Recovery Act and Commercial Policy.*

To come now to the more purely *economic* external aspects of American policy it should be noted immediately that in spite of much current, even quasi-official, talk to the contrary, there is no logical connection between the policy of raising prices and money wages on the one hand and the desirability or necessity of a high, or higher, protective tariff on the other. If, by the price-raising policy, the internal value of the dollar is reduced relative to the internal value of other currencies, its external value, that is to say exchange rates, must sooner or later, either automatically or by conscious direction, undergo a substantially equal depreciation.¹ In spite of higher dollar prices and costs of production, any given *ad valorem* tariff duty in the United States would then tend to offer precisely the same protection as it had always done.² Similarly, reductions of tariff schedules will be neither more difficult nor easier under the new than under the old dispensation. We may therefore immediately dis-

¹ At the moment the external depreciation is the greater of the two so that the measure of protection rendered by the existing tariff has, in fact, for the time being, been materially increased.

² A *specific* duty, however, would offer somewhat less protection and, if the old status were desired, should be raised proportionately to the fall in the exchange value of the dollar.

card the notion that the present American policy has any *inherent* tendency toward increased national self-sufficiency. If such a movement develops it will be because its proponents will have succeeded in obfuscating the situation and in exploiting the popular confusion of mind to their own ends.

xi. *International Character of Tariffs.*

This brings me to my final point, commercial policy. Tariffs and other similar regulations of trade, have, like the national money, always been regarded as of purely domestic concern. There is, however, a marked difference between the two in that alterations in any national monetary system have no necessary or ultimate effect on foreign nations while new or increased protective duties inevitably injure some, or all, of them. The case for international conventions with respect to tariffs, and for reciprocal concessions, is therefore much stronger than for international agreements imposing a common monetary standard. One may well question the wisdom of an agreement fixing upon all nations a monetary standard which would almost inevitably be inflexible, which must be based on the lowest common denominator of the aims of the several countries, and which must therefore involve the sacrifice of the entirely legitimate, but not universally shared, objectives of some or all of the parties concerned. The result might well be complete stagnation in the movement toward monetary reform. There could be no such objection to conventions limiting the range of protective duties, and spiking all the other devices in the panoply of economic war, unless reciprocity between any two or more nations should be used to increase the discriminations against the rest.

UNILATERAL TARIFF REDUCTIONS.

In the present excess of nationalism, however, it is doubtful whether much good can come from conference. If all nations enter into conversations with the notion that every lowering of a tariff barrier is a 'concession', only to be granted in return for a similar or, if possible, greater remission in the duties of other countries, general conferences can scarcely fail to end in other than acrimonious dispute. The world is suffering under the illusion that economic activity is a form of warfare in which one, at least, of the parties must lose. In this distorted psychological state economic disarmament is just as difficult to achieve as its military counterpart. If, however, a sound view were taken it ought to be infinitely easier. There is no doubt that one-sided military disarmament involves the disarming party in serious danger. But unilateral remission of tariffs would enure in nothing but benefit to the country taking the initiative, as well as to other countries. On this point economists are in practically universal agreement. So long, however, as popular opinion remains at variance with sound economic thought conferences to regulate tariffs will result, at best, in frustration. If, on the other hand, scientific opinion should win the day, they would be unnecessary. There is no good reason why any country should not now initiate a policy of tariff reduction regardless of reciprocity. This is as true of the United States, under its new policy, as of any other nation. When men learn to look, with a friendly rather than a hostile eye, on imports as the end for which exports alone exist, when they realize that their own restrictions of international trade are as harmful to themselves as to their neighbours, when, in a word, reason

once more plays a role, tariff barriers will fall as if by magic. Unless the ground be thus prepared, however, economic conferences will resemble medieval war. They may perhaps be conducted with much show of chivalry, but they will not lead to peace since the will to peace is absent.

xii. *The Recovery Act and International Economic Co-operation.*

The thrust of American policy is neither for nor against internationalism. That issue is not involved. Those of us who favour a larger measure of freedom for trade have no reason to fear the consequences of an immediate success for the New Deal. Whether or not the world will turn away from the throttling grip of excessive nationalism in economic matters will be determined by factors in which the present monetary and economic policy of Washington will play no part unless, on both sides of the water, clear thinking is submerged in a welter of unreasoning prejudice which fails to recognize the facts. There is nothing essentially isolationist in the policy. It holds out hope to a people in sore need, it carries a promise not only of domestic but even of world recovery, it offers the prospect of a new and better monetary standard which will be a strong buffer against a repetition of the economic collapse of the past few years, and its success would render infinitely easier such international agreements as may be essential to an ordered and general prosperity.

CHAPTER XI

THE WORLD MONETARY AND ECONOMIC CONFERENCE

by

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ONE leit-motif that ran through the speeches pronounced on the closing day of the London Monetary and Economic Conference by the leading actors in it was that there was no blame to be attached for all that had happened there or had not happened. There was, of course, no delegate, or no one else, to blame. There was, of course, no country to blame. There was nothing—apparently not even the Press—to blame, except, of course, the conference method itself. And even that method had some stout defenders, such as Secretary of State Hull and James M. Cox, the vice-chairman of the American delegation.

I shall make it my pleasant task this morning to turn in a minority report and apportion the blame. My blame will not involve the moral turpitude most people connect with it. The view I start with is more scientific. The conference clearly went wrong. Where does the fault lie? Fault-finding, if handled in a fact-finding spirit may have its uses, too. Indeed, I fear that one thing to blame for the difficulties at London was this 'there is nothing to blame' habit of its statesmen. This was not the first failure of many of them. Had they sought out the faults for previous failures they might at least have avoided some blunders at

London. But I see I must amend myself. I see much too much, to say nothing of many too many, to blame for the lack of results at London for me to fix all this blame in one hour. I shall make it my risky task to apportion only some of that blame.

First, let us examine the only offender openly indicted by the delegates, the conference method. This tendency to blame the act of conferring together with the failure to agree together is like the habit of blaming the League with the failure to enforce its Covenant in Manchuria. It need not be taken too seriously, and certainly it should not be taken tragically. This tendency, far from making the holding of future world conferences a matter of doubt, is one of the most dependable factors working not only in favour of more conferences, but also in favour of that permanent world conference, the League. The reason is that these headless, sixty-legged conference creatures furnish an ideal scapegoat to the two-legged creatures who are responsible for the policy of the various governments and who do have political heads they are sometimes rather eager not to lose.

Statesmen are human. They do not like to take the blame for their own mistakes any more than the rest of us do. Statesmen are gentlemen. They do not like to blame their mistakes upon their foreign colleagues, if they can possibly help it. The League and its conferences save these statesmen from their own mistakes. No one, at least no one who can yell, is hurt when the blame for failure is placed on these strong-backed world bodies. Thanks to them not only personal but national prestige are safer than they ever were before. The ever-present danger of the mistake of a statesman developing through the vicarious

pride of his fellow citizens into a national virtue if not a *casus belli* has been materially lessened by the institution of these headless, nerveless bodies.

I speak seriously, too. This is one of those strong, silent, influences the League and its conferences exert for peace that has not yet gained for it the glamour it deserves at least as much as do the strong, silent men. One of the really essential problems not only in international co-operation but in all questions of human relations is to provide some means of saving the face of those who make mistakes. We are all entitled to make at least a few mistakes, and it is a poor system that throws us out at the first error in favour of another neophyte, instead of giving us a chance to learn in the only way most of us can learn. Until our statesmen stop making mistakes we can be sure they will not stop convoking conferences and finding them very useful.

I find no blame, then, to apportion to the basic method of solving disputes by conferring together. But some of the indictments of this London case are more detailed. Not only delegates but many others, such as Walter Lippman and Harold Laski, have blamed failure on the lack of preparation and the lack of limited, specific terms of reference, or upon 'conditions not being ripe'. Again, many seem to share the view of Premier Mussolini. The founder of the Four-Power Pact blames the London Conference for being too democratic. Demanding in an article in the *Morning Post* a few days before it ended 'an embargo on futile and dangerous debates', he wrote: 'I believe that, with the London Conference, the conference system is also ended. . . . How could any illusions be entertained on the results of a conference at which were present two thousand delegates from over sixty countries?'

i. Was it the Lack of Preparation?

I am afraid that if we had to wait for an adequately prepared conference, the era of conferences would indeed be ended. Conferences are never thus prepared, and I doubt if they ever will be. Critics sometimes contrast the London Economic Conference with the London Naval Conference, citing the latter as a happy example of good preparation. All the preparations it had were the Anglo-American talks—and the stimulating failure of the Tripartite Conference in 1927. Even so it took the British and Americans three months of the 1930 conference to bring in Japan, and they have not yet brought in France and Italy. It is sometimes forgotten that the London Naval Conference was a Five-Power, not a Three-Power, Conference.

I would no more expect a conference to be adequately prepared than I would any session of any parliament. Much of the blame attached to lack of preparation is, I think, due partly to the fact that the commentators' minds were moulded when conferences were rare things, coming so far apart as to seem finite things. These same critics do not expect really important national legislation to be adopted normally in one session of a parliament. Usually such legislation requires years and most of the preparation comes in the doing. But they seem to think that simply because the meeting is called a conference, and the delegates speak different languages, and unanimity instead of a majority is required for results, the conference is ill prepared if it does not produce results in a few weeks, and its recesses are to be taken sceptically. The fault here really lies, I believe, in intelligent people leading the less informed astray by continuing to treat a conference as a century-blooming cactus when it has become a sturdy perennial.

As for blaming the London Conference because its terms of reference were so wide, I would say that it would have required at least one very, very long conference to have reached agreement on just how and where to draw the line in limiting its terms of reference. Before we attach too much value to such efforts it may be well to recall how this method turned out in Disarmament. The Preparatory Commission took five years limiting the terms of reference of the Disarmament Conference to a very precise draft convention. It is true that when the conference met it adopted this convention as a basis for discussion. It is also true that nothing more has been heard of that draft convention for the conference when it met inevitably and fortunately moved into a much broader field.

I would not give the impression that I think this kind of preparation, or any other kind, is without value. The more preparation of all kinds the better. But I would warn against giving too much weight to the pre-conference type of preparation. The preparation that is really needed for action in a conference is the mental preparation of the delegates, Press, and public, and I see little practical hope of getting that kind of preparation except when conferences are sitting—and when their ‘failures’ are being quietly digested in their recesses.

Conditions, one must keep in mind, never ripen of themselves for a conference—though they may get rotten. In my experience the only way to ripen them and assure any preparation whatever for a conference is to fix a definite date for the meeting. The risk of their coming too soon is much less than the risk of their coming too late. Only the necessity of attending will break down the natural lethargy of governments. Even this stimulus did not cause the

governments to make any political preparations in the shape of diplomatic talks in the year that was set aside for this purpose when the Disarmament Conference date was fixed. All they prepared then were their speeches giving their maximum demands on Santa Claus.

As for the London Conference, its Preparatory Commission addressed in January a fervent appeal to the governments to prepare its political side by talks among themselves. But the only government that acted on this plea was one that was not connected with the Commission, the new Roosevelt Administration, which invited a number of delegations to bilateral conversations at Washington. As with the Disarmament parley, once the Conference began there were, however, plenty of talks among the delegations in the hotels as well as in the lobbies of the Conference. Most of these were too late for that stage of the Conference, but they were much sounder and more valuable preparation for the next stage than were the bilateral talks at Washington.

The possibility a conference—and only a conference—gives of many-sided private talks makes for keeping everything in perspective, whereas the Washington talks did more harm than good by getting things out of proportion. It led the Americans who were at the hub of these talks to forget that a wheel cannot turn without a rim, and to give too much importance to visitors who proved not too representative of their governments. On the other hand it contributed to that over-emphasis on the United States by Europeans that plagued the Conference.

ii. *London's 'Forgotten Man'.*

It is true, too, that the governments had the Conference prepared by the two meetings of the experts who composed

its Preparatory Commission and who drew up its agenda. I have the greatest respect for the expert, and there is one kind of expert on international questions for which I have the highest respect. He is the political expert—the man who sees things in terms of people, living people. Unfortunately, he is another ‘forgotten man’. I have yet to see any political experts called in to prepare any conference. The present practice is to leave what preparations are made entirely to those who are experts only in the technical side of the problem. Though the world has lost much of its faith in military experts, it seems to me a demonstrated fact that the economic and financial experts do not know their business any better than the military experts.

What is the business of a general if it is not to protect the lives and property of his fellow citizens? Do these experts know their business when they take billions of our money and years of our lives in time of peace to assure this protection, and then invariably fail and at least once each generation take tens of thousands of lives and tens of billions of money in wars which we all lose, however much the generals may all win—or claim to win—the battles? If anyone ought to be an expert in politics—which is the art of handling human relations and protecting one's interests and getting one's way peacefully—it is our generals.

What is the business of an economic or financial expert? Is he doing it effectively when, as Secretary Hull has said, international trade has become almost treason, when the banks are either closed or gorged with money they will not lend, when each country is cutting its own throat in the unimaginably costly tariff and currency wars of this depression? It is no use pleading that many of these experts have argued for lower tariffs and stable currencies, in season and

out, at Geneva, that they have prescribed the right cure. Leaving aside, for the sake of simplicity, the fact that these same experts have often favoured the opposite course at home, I would say that it is not enough for an expert to prescribe the right cure. It is a poor doctor who can prescribe the right medicine but knows so little of human nature that he cannot get a patient to take it. Whether your patients die from your bad medicine or from your bad bedside manner you must expect their corpses to be counted against you.

If there is any expert in my experience who is less politically minded than the military man, it is the economic expert, the so-called practical business man, and if there is anyone who has still less political sense it is your financial and especially your monetary expert. Your military people are at least accustomed to dealing with men and with masses of men, though fortunately on a very artificial basis. But your financial experts—they have spent their lives with masses of figures, they live in a cloister. Their life is wrapped up in banks and money, both of which are based to a religious degree on popular faith (credit, confidence, the financial experts say, to avoid the plebeian monosyllable, faith). Their life is wrapped up in things that can only work so long as the people have faith, and these high priests are wholly out of touch with the people.

There are exceptions, notable exceptions, and I have hope for all the others. These conferences are bringing them out of the cloister. They are gradually learning from practice something about international politics. But the process is slow and costly. Technical experts would become safer for democracy much more quickly if they would only realize that politics—the art of getting masses of men to do what the doctor prescribes—is the key to all the rest of

their personal equipment. The real fault I find with technical experts is not that they have so little political knowledge but that they seem to think they do not need any.

Let me cite an example of what I mean. The London Conference began without its Preparatory Commission having made any preparation as to its method of work. Its experts provided an agenda full of topics to quarrel about, but they gave no advice on how to get action. The Conference met with plenty of causes for war and plenty of warriors—but no strategy. Should it, for instance, start by aiming at making a provisional agreement to meet the emergency, or plunge immediately into an attempt to set everything right for ever? Nobody apparently had thought of such things.

As a matter of fact, someone had. I remember talking with Mr. Stoppani, the Director of the League's Economic Section before the Preparatory Commission met. Mr. Stoppani, you will see, is one of those exceptional experts who is politically minded. He stressed then the need of restricting the Conference's immediate aim at the outset to something relatively easy to get, a temporary emergency agreement. He had worked out the general lines of one. It seemed to me a commonsense policy to build a provisional shanty to live in while you were building the palace. Its wisdom had been proved for me by the experience of the Disarmament Conference. But it got nowhere in the Preparatory Commission. I asked some of the experts why. Their explanation was that it was not ambitious enough. They feared that once the conference adopted it, that once the shanty was built, the governments would sit down and rest in its shade and never build the palace upon which the dreams of these experts were fixed. And so the Conference

adjourned with neither shanty nor palace even in the blueprint stage.

The deliberate planlessness of these experts arose partly from the pernicious habit of thinking that a conference is a thing that sits for a few months and then ends. Naturally when you look at a conference as one chance in a lifetime you do not want to put any brakes on its miracle-achieving possibilities.

A consideration that moved other experts they summed up in the phrase, 'things have to get worse to get better'. The depression, they reasoned, gives a rare opportunity to carry through some much needed reforms. The worse things get the readier the governments are to listen to reason. It would be a pity to risk losing this opportunity by stopping the pressure of growing disaster with makeshift emergency agreement. After all, they concluded, if the conference fails, and things get worse, the governments will be all the readier later to build the palace.

This kind of deliberate disaster policy has played, in my personal observation, a much greater role—especially among financial leaders—in the development of this depression than most people imagine. It is a very dangerous policy. It shows the crudest kind of political thinking. Disaster may serve good purposes, but it needs no intelligent encouragement. There will always be enough human stupidity to feed disaster. To think that the only way to persuade governments is to deprive more millions of their jobs shows, I repeat, the same lack of political sense the other experts show who depend for persuasion on killing millions of their fellow citizens.

iii. A Proposal: Political Experts.

Since it is very costly to leave the preparation of conferences entirely to military, economic, and financial experts, and since at the present rate of progress it will take them a long time to become politically minded, I would suggest that to all future technical preparatory commissions there should be attached some political experts. Indeed, I would suggest that the League Secretariat include a few of them permanently.

Had there been such experts in the London case I believe they would have prepared some very definite plans for tackling the mass of material the economic and financial experts prepared. They would have studied the experience of the Disarmament Conference. That would have shown them that it is almost impossible to hold delegates together profitably more than eight weeks, and that it was altogether impossible to get delegates to do in that period one-tenth of all the technical experts said needed to be done.

Your political experts would also have noted that there are certain periods of the year when conferences cannot sit. No conference can meet around Christmas, Easter, Whit Sunday. Above all, no conference can meet in August. That month is reserved for vacations, grouse-shooting, and institutes. Only wars can start in August.

Your political experts would have taken all this and more into account. They would have mapped out a course covering several eight-week sittings with recesses in between. They would have allotted to the first session the job of building that shanty, and to the second the task of starting the palace. They would have admitted the danger of the workers resting in the shanty's shade, but sought to avoid

it by thus making them sign up at the start for the whole contract. While encouraging the governments by a blue-print of the shanty, they would have encouraged public opinion at the same time with a beautiful architect's picture of the finished palace—which has the added political advantage of not involving such precision as a blue-print does.

I am satisfied that if there had been a little such planning the London Conference would have fared far better. The situation there was not ideal; it was quite difficult. But the situations facing conferences are bound to be difficult. The only way to judge these things is relatively, and I would say after considerable deliberation that I have never attended a conference in which the possibilities struck me as so favourable, where relatively little planning and effort promised to produce so much.

Think of the difference it would have made if, instead of leaving everything vague and undefined, the apparently trifling device of announcing in advance not only that the conference should start 12 June, but that the first session should adjourn on 17 July had been adopted. All the crises the conference suffered over whether to adjourn or not to adjourn would have been avoided. The conference would have been freed from all such manœuvring and all the connected hysterics, recriminations, and popular misunderstandings, for the same reason that parliaments are free from them. The reason is that everyone knows in advance about when parliament or congress will adjourn, and when it will resume work. By fixing at the outset the date for a conference to adjourn one not only avoids harmful and waste effort but one provides a positive means of keeping noses to the grindstone, and the spur to agreement any time limit gives as it closes in.

A time limit is a very useful thing. I am sure that none of you would have come here this morning—and certainly you would not have shown such flattering patience—if you had not known in advance that this talk would end in one hour.

I blame, then, not the breadth of the conference terms of reference nor the lack of preparation, but the lopsided character of the preparation and the lack of political experts.

Let us consider now the fault found by the Mussolini school—that there were too many invited to the conference, that it was too democratic. This need not take us long. Do you recall ever having read during the conference of any trouble caused it by Siam, or Abyssinia, or Salvador, or Lithuania? Certainly I do not recall ever having found occasion to report any difficulties caused by any of some fifty small countries. I have never seen the small countries so passive, so much under the thumbs of the great Powers, as they were at London. Their attitude was in sharp contrast to the influential, constructive role they have played in the Manchurian and Disarmament questions. My criticism of the small countries at London would be that they were too docile. Even so the net effect of their attendance at London was helpful, if only because of the restraining influence their mere presence exercised. To leave the great Powers alone with each other serves often, if not always, to accentuate their differences. I would remind you of the Tri-Power Naval Conference that failed in 1927. Have the discussions among the British, Japanese, and Americans ever sunk to that level during the present Disarmament Conference where the world looks on? It seems to me also significant that whereas the fifty-seven nations

could agree in the League Covenant in two languages, four Powers left alone could agree in the Four-Power Pact only in four languages.

iv. The Three Who Are to Blame.

No, the democracy of the London Conference is not to blame for its difficulties. Nor can it be said that the dictatorial class of Great Powers was to blame. Japan, Germany, Italy, Russia—all these Great Powers were in the background at London to an impressive degree. Some of them who are very much to the fore in the Disarmament Conference were even meeker at London than some of the small powers. The London Conference brought out strikingly the great strength and the present weakness of democracy. It showed how much the whole world revolves around its three great democracies, Great Britain, France, and the United States, and how very badly they handle their mutual relations. The quarrels of this conference were simply the quarrels of these three. The failures of this conference were always the failures of these three to understand each other, and to understand above all that whatever each might hope to gain by having his own way was nothing compared to what he could gain if all three pulled together.

This is not to call the Conference a failure of democracy. That would be to show no sense of time and proportion. The strength of democracy lies in its powers of self-criticism, and the hope of democracy in international relations lies in the readiness of the democratic peoples freely to blame themselves for their own mistakes. The chief blame at London I would apportion squarely to the United States, Great Britain, and France, and their almost incredible stupidity in dealing with each other.

Let me give you a few examples of what I mean by incredible stupidity. If two governments ever seemed designed to understand each other and work together, they were the American and French Governments at London. For the first time since such things became important there was then, as there still is, a Government of the Left in power in both democracies. If you will remember that Wilson had to deal with such nationalists as Clemenceau and Poincaré, and that whenever such leaders of the Left as Briand and Herriot gained power in France they had to deal with such isolationists and conservatives in the United States as Harding, Coolidge, and Hoover, you may see the past decade in a new light. Indeed, this is the first time in that period that in the three great democracies two of them have simultaneously had strongly in the saddle Governments of the Left, for the Labour Government in England has always been a Minority Government.

Not only do the present chiefs of the American and French Governments, President Roosevelt and Premier Daladier, share the same basic political philosophy of Liberalism, but three of the four main points of the Roosevelt price-raising programme M. Daladier has long championed personally. France and America had the same fundamental policy at London on public works, shorter hours, and restriction of production. They disagreed only on the monetary question. But they never realized how much they had in common; their eyes were centred only on the one thing that divided them. The Conservative Government which rules in Britain disagreed with both the United States and France on all four points—for even on the monetary question the British would side neither with the dollar nor the franc. Yet the two Governments of the Left from the

outset to the end were on better terms each with the Government of the Right than they were with each other.

Secondly, consider the monetary question which caused such bad blood between the French and Americans. The French by sticking to gold and keeping the rest of Europe on gold were doing the best possible service to the American price-raising programme. They were thus raising the price of labour in stable Europe by the degree of depreciation of the dollar—20 to 30 per cent—wherever Europeans entered into competition with American labour, and to the same degree they were increasing their own power to buy American goods. Had the French depreciated the franc they would have lowered their wage levels and their buying power and removed much of the advantage obtainable from the depreciation of the dollar. Yet many Americans were not only furious with the French and their gold bloc for not doing this, but they have not yet forgiven them.

But, thirdly, look at the other side of the same question. The United States had depreciated the dollar for two months—or rather it had deliberately scared the financial world into depreciating the dollar for it. It had and still has carefully avoided any action that would prevent it from restoring the dollar to par. This temporary depreciation has undoubtedly given it a 20 to 30-per cent advantage in the export market. But the United States has offset this advantage more or less completely by its tremendous voluntary effort to shorten hours, raise wages, restrict output, and generally raise the cost of its production. No other country whose money has depreciated has ever done anything like this. Certainly France did not do it in her inflationary period. Nor has Great Britain done it. The pound has not only been depreciated for a much longer time and to a

greater degree than the dollar, but the British have done their utmost to avoid raising the cost of their production and to extract the last drop of export advantage from depreciation. Moreover, this affects the French, Dutch, Belgians, Swiss, and Italians much more than the dollar's fall, for they compete much more with British manufacture than with American exports. Indeed, their American imports being chiefly raw materials they tend to profit from the dollar's depreciation. Yet it is the Americans who are the objects of the anger of the French.

If these three examples (and I could cite others) do not show really remarkable stupidity—the kind that ought to be preserved in a case in a museum—then I do not know the meaning of the word. I mention them in no wiser-than-thou spirit. I confess that I myself went through the whole of the London Conference without being aware of the three situations I have just explained. These ideas did not begin to occur to me until I started home.

v. Who Was Most to Blame?

It would seem evident, then, that there must be a good deal of improvement all around in human understanding even among such enlightened peoples as the British, the French, and the Americans if conferences are to work, at least without ridiculous confusion of purpose. But was any one of these three governments especially to blame at London? This sterile question is of no real interest to me, except that it is precisely the kind of question people like most to talk about, and talk about loosely, and so some careful talk about it may be useful. Though no one, as I said, was blamed openly at London, it was undoubtedly the consensus of opinion among the delegations

and Press—including many members of the American delegation and Press—that the United States Government was most to blame. I, too, shared this view at first, but I changed my mind before the Conference ended. The more I have tried since then fairly to strike the balance, the more convinced I have become that the view that the present American Government was most to blame will not stand sober, impartial second thought. Previous American Governments, yes. Their policy of staying out of the League, for one thing, puts on them to my mind a heavy responsibility for every international conference that has since gone wrong. But the present administration, no.

I have little patience with those who seek a reputation for impartiality by being dishonestly more than just to their enemies and less than just to their friends. In the interests, not of justice, but of science and honest thinking, I will risk being misunderstood and say that in my considered judgement the British and French Governments were more to blame at London than was the Roosevelt administration, and that their delegations were much more to blame than the one headed by Secretary Hull.

This fairly cries out loud for proof. Well, let us make the case fast and hard. I agree with many of the reasons you have already heard for fixing most of the blame at London on the United States Government. I might attach different weight to some of them, and I would reject some as unfounded. But to save time I will forgo the pleasure of distinguishing and dividing among the numerous faults of my own country. I will concede that all your criticisms are well founded—for, after all, if I got started on this attractive subject I would probably end by giving you, for every criticism of yours I rejected, at least one new reason

from my own observation for blaming the Americans. So it is granted that the Americans are all you think of them—and worse. Now, the other side.

Many things go into my judgement, but the things that tip the scales against the British and French Governments are these: The Roosevelt Government is new to power, new in a thorough way. The Democrats have been out of office for twelve years. They lack experienced men; they lack them most of all in the field of foreign relations. I realize how hard it is for Europeans to comprehend thoroughly all that twelve years out of power means to a party. In Europe, the turnover of parties is much swifter. But to be fair to the present administration one must always keep in mind that it came to London after three months in office and twelve years out of office. There is another thing one must always keep in mind, too. This inexperienced administration was plunged into office at a time when every bank in the land was closed, the whole credit fabric shattered, one-third of its workers unemployed, the people demoralized or desperate. The greatest economic unit in the world was in the throes of the most dangerous financial, economic, and social crisis it has faced, in my judgement, since the Civil War. The fact that the world does not yet realize the danger it then ran in the United States is the most eloquent proof of the success of Roosevelt's courage, energy, and political sense. But his achievement has kept him busy.

The British and the French Governments suffered no such handicaps as these. They did not lack experience in national government, in international relations, in conferences. They had not been subjected to the ordeal their American colleagues had. They were not engaged in a

terrific struggle at home. Compared to Roosevelt they were sitting on the sidelines. They had plenty of experience. I put it to you: did not the world have a right to expect a little more from the British and the French than from the Americans? More sweet reason, more patience, more human sympathy, more political understanding, more energetic and constructive planning and action in the international field, more everything? Did the world get it from them? I ask you.

After all, is it a politically healthy thing for the world to look so much always to the United States for salvation? A much greater area, not counting the dominions, is ruled from London—and Paris rules almost as big an empire as London does. The United States, we all complain, had no concrete plan to offer at London. But where, I ask, was the concrete plan that France or Britain offered? Is it good sense to pass over their silent, negative attitude and concentrate on the loud confusion bursting on the American side? The Americans at least put forward some constructive proposals—and though they were disjointed and the delegation did not fight for them, some of them were important and genuinely liberal, such as the tariff suggestions Secretary Hull made just before the recess.

The British Government was not only the most experienced of the three. It had fixed the date of the conference to suit itself. It had the presidency. It was at home. If it was the responsibility of any one Government at London to put a concrete programme before the conference and to push a constructive policy it was the responsibility of the British Government. Before the Conference began, the British Government took no initiative in preparing it by the talks the experts urged. After it had got the Conference

assembled at London instead of Geneva—which was a very serious mistake and to the advantage only of the British Government—it took the attitude that this was a pure League conference for which it had no responsibility.

I do not think it is a wise thing to let even a Government which is not my own avoid its responsibilities with such impunity as the British Government has enjoyed in this instance.

vi. *The Stabilization Hen-and-Egg.*

But, it is often said, there was no use for the British and French to present any plan until the dollar was first stabilized. I think that is nonsense. I would ask you to recall first that just before the conference started the real trouble was to get the pound rather than the dollar to stabilize, and that the pound owes its reputation for virtue since then chiefly to the vices the dollar suddenly developed. A second thing is that there was plenty of time before the stabilization talks broke down for the British or French to have put forward a concrete recovery programme—conditioned, if you will, on stabilization. Had that been done, the result could have been much different.

Instead, through French and British policy, the stabilization issue at London assumed an importance all out of proportion with the realities and was wrecked because of this, their mistake. At bottom, it was the same kind of hen-and-egg issue as has plagued the Disarmament Conference. Instead of which shall come first, disarmament or security—the assurance of the territorial *status quo*—at London it was really which shall come first, stabilization—the assurance of the monetary *status quo*—or tariff reduction and other economic disarmament and recovery measures.

The Americans said there was no sense in stabilizing until there was some tariff reduction. The French and British said nothing at all could be done until the dollar had steadied. Both of course were right and both were wrong. The common-sense solution was to do both things together.

The plain fact is that each was bringing all the pressure he could to get the other man to help him get his bird in hand, while leaving the other fellow's bird in the bush. It is a classic method; it shows how crude international politics still are. The execution was unusually raw at London because it was in the hands either of inexperienced men or finance ministers—and what I said about financial experts applies in only less degree to them.

I maintain the British and French Governments which were experienced, which had been through all this nonsense before in the Disarmament Conference, are more to blame than the Americans for not proposing at the outset at London a plan for synchronized monetary, financial, and economic recovery action. Even when the Americans engaged in stabilization talks with them, they refused to make any equivalent advance toward Secretary Hull on the tariff side. Secretary Hull at least conceded in his closing speech that while there could be no stabilization unless there was economic disarmament, there could be no such disarmament unless there was stabilization. But all I heard from the British and French to the very end was the same old negative refrain—nothing can be done until the dollar is steadied. I listened very carefully and never did I hear them take the positive attitude—we will do this and that if you will stabilize.

Even so, the French and British might have won their stabilization point if they had shown a little of the political sense they should have gained from their long experience.

Their tactics at London were simply to get the dollar steadied by centring Press and public attention on stabilization and forcing the American hand by making the whole conference depend upon their giving in. This is another old trick, and a very crude one, and one that is always dangerous. And it was obviously extremely dangerous when tried on the most volatile and speculative of questions—the fate of a big currency, and on a new government in the midst of a crisis.

Now, the thing the French and British really feared was unlimited, wild American inflation. It was plain that the inflationary movement came from Congress. President Roosevelt had not only been standing against it but only his great political ability had prevented Congress from devaluating the dollar and embarking outright on inflation—neither of which has yet been done. It must not be forgotten that when the London Conference began Congress was still in session, and that a great many Congressmen were afraid the President would not use the inflationary powers he had got them to entrust to him. Congress was delaying its adjournment, and the National Industrial Recovery Act, to which the President attached much more importance than to monetary matters, had not only not been adopted but was still in danger. Yet it was in these circumstances that the French and the British beat the tom-tom for stabilization. Worse, they were so anxious for it that they no sooner got tentative agreement from the American experts than they ‘leaked’ and the good tidings spread through the Press as if it were definite—before it had even reached President Roosevelt. They not only did not wait for Congress to adjourn but they gave the President no chance to prepare Congress or the market. The result was that prices

fell sharply in Wall Street, Congress was alarmed, and the President rejected the stabilization proposal. I do not recall ever having seen an international political hand played quite so badly as the French and British played their stabilization hand at London.

vii. *Hull Makes Unanimity.*

In the second or Moley phase of this stabilization question they did no better. I have time, however, to bring out only one point in connection with it. This phase culminated, as you know, in the President's irritated blast of 3 July. That message was a profound mistake. It was disquieting to his friends even with allowance made for the man being new to office. But what was far more disquieting was the reaction of the experienced statesmen of Britain and France and most of the rest of Europe. The only thing these men could suggest to do in these grave circumstances was to adjourn the conference and let everyone go home in a temper.

Now this, of course, would have had the advantage of concealing the responsibility of everyone else for the failure of the conference—it would have tied the bell securely to President Roosevelt. But consider the disadvantages even to the British and French. President Roosevelt is going to be in office for four years. Would it do any good to poison in this way his relations with the rest of the world at the outset? Would it not really mean the vicarious poisoning of relations between the American people and other peoples? Would that make it easier for the British and French and others to steady the dollar or otherwise reach recovery at home? Was it not the role of the experienced men sitting on the sidelines to nurse President

Roosevelt—if only in their own interest—through a mistake he had made at least partly from inexperience and partly as a result of their own errors in the stabilization question?

Well, after the 3 July message the whole Conference, including nearly every one in the American delegation, seemed in favour of adjourning. I never saw such a defeatist spirit. In all these statesmen there was one man—but as Andrew Jackson has said, one man with courage makes a majority. He was Cordell Hull. If there was any man there who was personally entitled to sit back and gloat at the trouble President Roosevelt had got into, it was Cordell Hull. The President had not treated his chief Cabinet officer with the respect due him. He had treated him badly, and not least badly in the events leading to this *débâcle*. Moreover, Secretary Hull had had no hand in this *débâcle*. It was not due to his mistakes. The stabilization negotiations had been kept out of his hands—thus greatly weakening his position at London.

But Secretary Hull is not the man to let his personal grievances rule his political judgements. He had the political sense to see what abrupt adjournment in such circumstances would mean. He has the internationalist ideal deeply at heart, and he saw that not only Roosevelt, but Ramsay MacDonald, Neville Chamberlain, Georges Bonnet, Dr. Colijn, and others must be saved from their own blunders. Secretary Hull went to the meeting of the Bureau that was to decide the issue of adjournment—one man against all the others. And he succeeded in making not a majority but unanimity in favour of continuing the Conference. Many agreed with him half-heartedly then—but before the Conference gently went into recess three weeks later everyone

was saying with enthusiasm how wise they had all been, not to disperse in a temper.

Such are briefly some of my reasons for refusing to put the major blame on the United States. If I had more time I would like to say it another way and explain why, from the international viewpoint, I think the Roosevelt Government gives more reason for hope than any other. But meanwhile I do not want you to get my views out of proportion simply because I have talked more of the sins of the British and French than those of the United States. Remember I did that only to save time and that I conceded that the United States had a heavy share in the responsibility. And remember I am trying to find fault in a fact-finding spirit, not in one of recrimination.

There is finally one thing I would blame above all and for which I would blame nearly everyone at London. And that is their spirit of defeatism. It infests every conference. It infests delegates, experts, secretariat, Press—and they all spread it to the public. I never saw a worse case of this defeatism than at London, especially after the 3 July message. Professor Manley Hudson—who was in London then—was one of the few in favour of going on with the Conference. He may remember a conversation we had in Claridge's on this miserable willingness to despair and quit at the first real obstacle.

Who has not heard 'England expects every man to do his duty'? Who does not know enough French to understand 'Ils ne passeront pas'? What people represented here to-day does not have some such saying as our American 'We have not yet begun to fight'?

In that spirit we have fought in the past—fought each other. We have a long, long heritage, each of us, of cour

and tenacity—when the enemy is a neighbour. Our delegations were sent to London not to fight each other but to fight a common enemy. And one would have thought that they believed the world did not expect each man to do his duty there against the depression. That enemy they were ready to let pass with no challenge. They had not yet begun to quit as soon as they came together, but they were already faint-hearted.

When men require their leaders to fight their common foes with the courage with which for ages men have fought each other, conferences, even on monetary and economic questions, will succeed.

CHAPTER XII

PUBLIC WORKS AND THE WORLD CRISIS: THE FRONTAL ATTACK ON INDUSTRIAL DEPRESSION AND UNEMPLOYMENT

by

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i. *The Evolution of the Idea of Public Works as a Means of Dealing with Industrial Depression.*

IN the course of the last hundred years, the conception of public works as a means of dealing with industrial depression has passed through three distinct stages. From the worst type of palliative it developed into a possible measure for employing the labour force of a country to better purpose; and from that to a measure of major economic readjustment. It is of the utmost importance to differentiate between these three evolutionary forms, since a great deal of controversy, political and scientific, arises out of the fact that the controversialists are in effect using the same term to mean widely different types of action.

Originally public works were essentially adjuncts of the Poor Law. From time to time during the nineteenth century such works were put on foot in periods of unwonted distress and unemployment, being regarded as relief measures pure and simple. The *Ateliers nationaux* in Paris, in 1848, provide the classical example of this conception of public works, the sole purpose being to make employment, useful

or otherwise, as a convenient means of keeping men occupied and of distributing relief.

Towards the beginning of the twentieth century, a new conception gradually took shape, being finally set out in positive and detailed form in the Report of the British Royal Commission on the Poor Law in 1909. This new conception was that the regular works done by governments should as far as possible be concentrated in periods of depression. Normally, in times of business activity, with receipts from taxation relatively high, governments tend to enlarge their public works programmes, thereby doing these works when costs are swollen and, furthermore, competing with private enterprises for the available labour. When business activity falls off, on the other hand, governments, seeing their tax receipts diminish, tend to reduce their public work programmes, thereby throwing men out of employment and accentuating the depression. The suggestion explicitly put forward in the Report of the Royal Commission of 1909 was that this process should be reversed. When private enterprise was affording adequate employment, public works should be kept down to a minimum. When, on the other hand, private enterprise was failing to afford adequate employment, the public works thus postponed should be put on foot. This 'long-range planning of public works', as it has been called, enjoyed a considerable vogue among the more clear-sighted of practical reformers. It is interesting to note that one of the recommendations adopted at the first meeting of the International Labour Conference at Washington, in 1919, was to the following effect:

'The General Conference recommends that each Member of the International Labour Organization co-ordinate the execution of all work undertaken under public authority, with a view to

reserving such work as far as practicable for periods of unemployment and for districts most affected by it.'

In point of fact, however, this long-range planning of public works never amounted to very much in practice. There were a number of reasons for this. For one thing, the political pressure to set a scheme in operation as soon as the money becomes available is always very great. Again, governments for the most part have not as yet provided for the central co-ordination of their public works programmes, and without such co-ordination long range planning is difficult, in some cases impossible. Furthermore, the details of the long-range planning process were not very fully worked out. In particular, it was not by any means clear how funds were to be carried over from the prosperous years for utilization in the years of depression. It is on this financial side of public works that further evolution has recently taken place.

During the last six or seven years, and during the last three years in particular, the conception of public works as a means of delivering a frontal attack upon industrial depression has come to the fore. It has become increasingly recognized that periods of industrial depression are due essentially to effective demand failing to keep pace with industry's ability to produce. To put the same basic fact in other words, the falling off in business activity and consequent unemployment from which the world intermittently suffers is due fundamentally to the volume of buying of goods in general not being sufficient to enable industry to dispose of these goods in sufficient volume and at sufficiently remunerative prices. Why this failure of effective demand should come about is still a matter of dispute among economists; but there is little question that the essential charac-

teristic of industrial depression in the modern world is a deficiency in the total volume of buying.

The importance of public works in this connection is that, in combination with an appropriate monetary policy, they present a direct means of increasing effective demand. According to the modern view of the use to which public works should be put, governments at the first sign of depression should borrow from the public and/or the banks, for the purpose of financing public works. The central bank and the banking system generally should at the same time use all possible measures to facilitate such financing, keeping their discount rate as low as possible and putting more money into circulation by buying securities in the open market. In this way funds which would otherwise remain latent can be mobilized for the purpose of restoring effective demand. Such funds would be used in part by the public works contractors to buy capital equipment, materials, and producers' goods generally, while in part they would go to the men employed upon the works in question, who would use them to buy consumers' goods. There would thus be a direct increase in the effective demand both for producers' goods and for consumers' goods. Furthermore, this increase in effective demand is a *net* or *absolute* increase, since the roads, buildings, waterways, etc., so constructed are not for the most part put upon the market for sale. The *absolute* increase in buying thus brought about is therefore available to reduce the huge commodity stocks which pile up in time of depression and to provide the additional demand necessary to bring idle men and idle equipment back into active operation. Moreover, the funds thus injected into circulation are not, so to speak, used once and then extinguished. On the contrary, they continue to

exercise a beneficent effect, being used alternately to buy goods and to furnish the wherewithal to pay men to produce more goods, time and time again. The essential feature of this modern conception of public works is, therefore, that it presents a means of reinforcing effective demand when a deficiency of effective demand threatens to cast industry into depression. Or, more exactly, it provides one of the necessary instruments for adjusting effective demand and thereby equating it as far as possible to industry's capacity to produce.

The three successive stages in the evolution of the conception of public works as a weapon against depression are, accordingly, (1) the palliative stage—public works as a means of distributing relief; (2) the organization of employment stage—public works as a means of affording employment in time of depression; (3) the frontal attack upon industrial depression—public works as a means of reinforcing effective demand and so sustaining industrial activity. It is with this third aspect of a public works programme that the present paper is primarily concerned.

ii. *The Objections to Public Works as a Means of Dealing with Industrial Depression.*

In common with every other advance in economic and financial technique, the use of public works has been and still is strongly opposed. The objections raised against them fall under four main heads: (1) that they are ineffective; (2) that they cannot be afforded; (3) that suitable works are not available; (4) that they lead to 'inflation'.

The argument that public works are ineffective comes chiefly from Great Britain. Having put on foot a considerable volume of public works during the periods 1921-5

and 1928-31, and yet suffered from what was then considered heavy unemployment, it is frequently alleged that public works have 'failed'. With this argument it is possible to agree completely and to add to it that public works carried out under the conditions of the British experiment always will 'fail'. For, in the first place, these works were put on foot at a time when the monetary policy followed was the very reverse of that required, there being over the greater part of the time a steady reduction in the means of payment instead of the considerable increase necessary to secure a reinforcement of effective demand. In the second place the value of the £ sterling was being raised to and subsequently stabilized at a competitively impossible level, so that even if demand had kept up on the home market the foreign market would necessarily have fallen away. In the third place, these public works measures, supposing they had been appropriately financed and supposing the level at which the £ sterling was stabilized had been reasonable, were not likely to be of any great avail inasmuch as they were confined to one nation only. No comparable movement was going on in other countries, so that although effective demand might thereby have been kept up at home, there was again no reason why external demand should be sustained. In short, the British experiment was an experiment in relief work redolent of the 1880's, carried out on a purely national basis without any understanding of the all-important monetary measures involved. There are unquestionably lessons to be learned from it; but that public works have 'failed' is not one of them.

The second argument—that public works cannot be afforded—is more serious, at least in some countries. A number of governments are undoubtedly in the position

that they cannot raise a loan, either at home or abroad, while any steps to increase the volume of currency and credit in circulation by monetary or banking measures would be liable to let loose a panic. In these countries the question where to find the necessary funds is a genuine difficulty. In the great creditor countries, on the other hand, and in a number of the more influential debtor countries also, this problem is far less serious. In certain of them, notably Great Britain, there would be nothing easier at the present time than to raise a loan for public works purposes. In others, France and Belgium, for instance, some difficulty would be encountered; but there is little question that, given suitable international conditions, the government, in co-operation with the central bank, could find ways to turn this obstacle.

Driven from the argument that the funds cannot be found, the opponents of public works fall back on the plea that, although the money could be raised, the country nevertheless 'cannot afford it'. There is considerable mental confusion behind such an argument. What a country definitely cannot afford for any protracted period is to have a quarter to a third of its available labour power unemployed; and it is precisely this factor that the 'cannot afford it' school choose to ignore. What they really have in mind is, of course, the fear that additional public works mean additional taxation. So long as public works are treated merely as a form of relief, and not keyed in with an appropriate monetary policy, such a fear is justified. But provided public works are used as a means of sustaining effective demand, this fear is baseless. What increases taxation more effectively than anything else is business depression, for, in order to obtain the revenue necessary to cover its expenses,

the government finds itself compelled to increase the rate of taxation so as to make the diminished national dividend furnish a sufficient total return. Paradoxical though it may seem, expenditure on public works used to sustain effective demand is likely to diminish taxation rather than to increase it, since the prosperity thus brought about can be made to yield a larger total return in revenue with a lower rate of taxation.

The next objection, that there are no suitable public works available, is likewise based upon a misunderstanding. Those who argue along these lines are seeking works which will give some sort of money return or at least increase the ability to produce in some way. In putting forward such an argument they show a complete failure to grasp the outstanding economic fact of modern times, which is that when man harnessed power to machinery he totally changed the whole basis of economic society. Until then life was necessarily a struggle to wring a subsistence from the earth. Under modern conditions the essential task of society is to use its enormously increased capacity to produce to the best social advantage. The public works that should be done in countries which have escaped from a 'bare subsistence' economy are not only works of equipment and utility—roads, waterways, electrification projects, and so forth—but also works which will increase the amenities of life—better housing, community centres, parks, swimming pools—anything and everything up to the limit of the capacity to produce that will add to the health and happiness as well as to the material wealth of the community. In effect, what is actually made as a result of the public works is in the nature of a by-product, as it were. The main product is the maintenance of effective demand and the consequent high level of industrial activity.

The final chief argument against a public works policy designed to sustain effective demand is that it means 'inflation'. Understanding by 'inflation' an undesirable and excessive rise in the general level of prices, this argument contains an important element of truth. There can be no question that a process of reinforcing effective demand, whether by public works or any other method, can be carried too far. Public works as a means of dealing with industrial depression is no self-adjusting panacea. But whereas this method of sustaining business activity is undoubtedly susceptible of abuse, the fact remains that, used with reasonable discretion, it can be made to do what is required at a time when all other action is vain, viz. keep up the volume of buying when business is setting towards a decline.

iii. *The Difficulties to be Encountered in Using Public Works to Sustain Effective Demand.*

Having considered the chief arguments against public works as a means of dealing with industrial depression, it is necessary to examine some of the very real technical and political difficulties that stand in the way of such a method. To do this we need to have clearly in mind the real nature of the problem to be solved.

In very general terms the problem is this. From time to time, due to a great variety of circumstances, the total volume of effective demand fails to equate itself to the volume of goods industry as a whole is equipped to produce. On occasion the volume of effective demand is excessive, in which case prices are forced up, industry is unnaturally stimulated, and a general condition of febrility is introduced into the whole economic and social situation. On other occasions the volume of effective demand is deficient, in

which case industry enters into a period of depression, men and women are thrown out of work, production is reduced, and the standard of living of the whole community declines below the standard which could and should be attained.

What it is desired to do is to adjust the volume of effective demand so as to keep it adequate, but not excessive. The general method proposed is, in the event of undue business activity, to take measures to reduce the volume of effective demand by such government and/or banking action as may be judged appropriate—a course of action with which governments and central banks are already familiar; in the event of threatened depression, on the other hand, to use public works measures with the object of bringing idle or new purchasing power on to the buying side of the market and so reinforcing the total volume of effective demand.

Now obviously a public works programme does not lend itself altogether to such a device. It has its great use since, as already seen, it enables new or otherwise idle purchasing power to be brought into active use for the purchase of producers' and consumers' goods. But it has two very considerable technical disadvantages.

The first is that it is not possible to put on foot a large public works programme very rapidly, and then, when the necessary effect has been obtained, to discontinue such works. This at first sight appears an insurmountable obstacle. In point of fact it is not so serious as it might appear. The public works side of this method of adjusting effective demand is one side only. The other side is the monetary policy accompanying it; and this policy, unlike the public works programme, can be modified relatively rapidly.

In effect, the type of action required would be along these general lines. The government, in addition to its normal

public works programme which necessarily goes forward in time of prosperity and time of depression alike, would have on hand, in the most advanced state of preparation possible, a large emergency programme of works of all types. During a period of declining trade, this emergency programme would be put on foot to such extent as the nature of the depression appeared to warrant. This programme would be financed by loans from the banking system or from the public or from both—again as the occasion appeared to warrant—the object in view always being to reinforce the volume of effective demand. As and when effective demand was restored, no further emergency works would be put on foot, and those still continuing would be financed out of revenue. With prosperity re-established, not only would the normal programme of public works be financed out of revenue, but revenue would be used to amortize the loans previously contracted. In the event of the volume of effective demand proving excessive, this process of amortization would be accelerated while the banking system would, if necessary, take measures to restrict the volume of credit and currency in circulation.

There is reason to believe that such a line of procedure, once well established, would prove sufficiently supple to permit of a regular adjustment of effective demand. It is necessary to remember that the general knowledge that such methods were being used would tend to have a far more immediate stabilizing effect than the methods themselves. The knowledge that in the event of incipient depression the government had this large emergency programme of works in readiness would tend to promote an immediate movement towards recovery. Conversely, the knowledge that the government and the banking system had both the

ability and the will to arrest any runaway boom would likewise tend at once to exercise a stabilizing effect.

So much for the first main technical difficulty. The second is that public works as usually understood directly affect only a comparatively few trades—chiefly those concerned with construction—and it is argued that large expansion of public works would merely mean first a boom and afterwards a depression in these trades. Such a view is exaggerated, inasmuch as the true utility of public works, appropriately financed, is that they spread the benefit of increased effective demand over a very large area and their influence is not by any means confined to the constructive and allied trades. At the same time this objection does contain a large element of truth in the sense that a more balanced process of recovery would be brought about if the public works selected were chosen with a view to covering as many different trades as possible. In fact, instead of as at present preferring those types of works which give as much direct employment as possible, the choice would go rather to those works tending to restore activity (by increased buying of material, etc.) in as many different trades and industries as possible. In this respect the whole concept of a public works programme requires to be revised in the light of the new use of public works as a stabilizing factor.

Alongside these two technical difficulties, there are two political difficulties. How serious these may prove it is impossible to estimate, the elements involved—human character, intelligence, and ability to co-operate—being essentially imponderable. The first of these political difficulties is that the adjustment of effective demand calls for considerable skill, courage, and honesty of administration on the part of the men engaged in the task. The second

difficulty is that for the adjustment of effective demand to be reasonably complete—for effective demand to be sustained on the world market as well as on the home market—some measure of international co-operation is required. It is these two difficulties that are really crucial. Once the nations set about the task of adjusting effective demand as an essential part of good economic government there is little question that the technical difficulties can be in large part overcome. But the human side of the question—skill, courage, and honesty of administration nationally, some degree of co-operation internationally—is the doubtful element.

It is the prospect in these two fields which chiefly calls for examination.

iv. *The Attitude towards Public Works in the Various Countries.*

To what extent the various countries can be relied upon to use public works, coupled with appropriate monetary measures, to sustain effective demand is an exceedingly delicate question. Notoriously, the political and financial organization of some countries is less developed than others; and such measures as are here under consideration are not for countries politically and financially immature. There would seem good reason to suppose, however, that in the more advanced countries action along these lines would not be out of the range of possibility, provided always that the general mechanism and purpose of this use of public works was well understood, not only by those applying such measures but also by public men and informed opinion generally in the countries in question.

On the other hand, it would be illusory to imagine that

such a condition of understanding has yet been reached. With a few exceptions, the present attitude towards public works in the various countries is very much what might be imagined in a transitional period such as the present. It is one of divided counsels, considerable misunderstanding—sometimes genuine and sometimes assumed—and a good deal of disingenuous evasiveness both of word and of deed. In the United States and Sweden, it is true, public works, appropriately financed, are being put on foot with the express object of reinforcing effective demand and bringing about some measure of price recovery. But these countries are exceptional. Great Britain, while anxious to raise prices, is uncertain in its opinion and equivocal in its various statements on the question of public works. The countries on some form of gold standard—notably France and Italy—both advocate and have recourse to public works; but for political purposes refuse to admit that they may be instrumental in raising or keeping up prices. Certain of these countries, moreover, are careful to emphasize that their method of financing these works is rigidly orthodox, when in point of fact the method actually used in a number of cases is what in other countries would be called exceedingly unorthodox and even ‘dangerous’.

For the rest, few, if any, countries have the means of co-ordinating their public works programmes. Normally, these works are in the hands of half a dozen or more public departments, to say nothing of the very important works done by local authorities. In those countries where public works are being put on foot as a means of counteracting business depression and unemployment, great attention is usually given to the altogether subsidiary question of how much labour will be directly employed thereby. In a

number of countries also, where great political merit is claimed for initiating public works projects of imposing magnitude, the fact is carefully concealed that public works of the usual type have so declined that the net result is a reduction rather than an increase in the total volume during depression.

Altogether, the public works field is not one in which the statesmanship of the world has so far shown to advantage. On the other hand, it does not necessarily follow that the statesmanship of the world is wholly to blame. The modern view of the use of public works as a means of sustaining effective demand has only recently been set out in a form which public opinion is likely to grasp and understand; and statesmen, even if they could, seldom dare to move much in front of public opinion. What is needed, above all, is a widespread appreciation of the central fact of modern economic life and its relationship to a public works programme. This fact is that effective demand for goods in general is not automatically self-sustaining and that positive measures are necessary in order to secure that it shall be kept adequate. Whether public works are employed as the means of doing this is relatively immaterial. What is essential is that the problem itself should be recognized and conscious, if tentative, measures taken to deal with it.

v. The International Co-ordination of Public Works.

The question of the international co-ordination of public works is likewise in a transitional stage. The International Labour Conference, in a resolution adopted at its recent session (June 1933) addressed to the World Monetary and Economic Conference, laid down a general outline of the form this co-ordination should take. Special interest attaches

to this proposal not only because of its intrinsic merits but also since it obtained a unanimous vote of the Conference. This fact, indicating as it does that representatives of employers and workers in the various countries as well as representatives of the governments are in favour of measures along these general lines, is not without significance.

The clauses of the resolution dealing with public works read as follows. Included among the measures especially necessary to promote business recovery are:

(5) The restoration to circulation of the capital now lying idle by all appropriate means and notably by the adoption of a public works policy, including the following lines of action:

(a) to set on foot immediately large scale public works, giving an assured economic yield, particularly in those countries where funds are at present remaining unused;

(b) to secure collaboration between creditor countries and countries lacking capital, many of whom are debtors, in order to undertake in these latter countries large works likely to augment the national income and thereby to increase their capacity to meet external debts;

(c) to co-ordinate these measures on an international basis so as to avoid the possibility, which might arise if individual action were taken, of a disequilibrium in the balance of payments of the various countries, detrimental to international monetary stability.

There are three main points in this proposal which call for special notice. First and foremost, it lays down that public works should be put on foot, above all, in the great creditor countries. It is in these countries that recovery must be initiated. In the second place, some measure of international agreement permitting of the financing of public works in debtor countries (who would otherwise be unable

to find the necessary funds) constitutes an important element in world recovery and in the maintenance of effective demand in the world as a whole. It is important to note, however, that such internationally financed public works are only valuable as part of a world programme. Put on foot by themselves, without similar and larger scale action in the creditor countries, they would be liable to lead to further disequilibrium, since they would make for an adverse balance of payments in the debtor countries. Finally, some measure of international co-ordination of the public works programmes in the different countries is called for, so as to obviate the monetary and commercial difficulties likely to arise if some countries were taking rapid and pronounced action while others held back.

To give this proposal effect, international machinery is required. What form this machinery would assume is a matter for discussion; but some attempt to foresee the general lines along which it might be shaped is not without a certain interest. The creation of an International Public Works Commission, to which the various countries would undertake to notify their public works programmes and the manner in which these programmes were financed, would be a useful beginning. Such a Commission would perform a number of valuable if unobtrusive functions. For one thing, the fact of having to notify their programmes would tend to make the countries 'public works conscious' and thereby help to bring about a larger measure of national co-ordination than exists at present. This obligation would likewise tend to make the countries much more hesitant in reducing their public works programmes in times of depression, as certain of them are still prone to do. Furthermore, it would focus attention to some extent upon the vital question

of the manner in which the public works programmes were being financed. At the same time, by enabling each country to know what other countries were doing in the public works field it would remove one of the chief difficulties of countries who at present hesitate to launch out on a comprehensive programme for fear of its effect upon their balance of payments.

A Commission of this type, moreover, would be in a position to take on additional duties as and when its experience and prestige developed. Among other things, it could give expert judgement upon public works schemes submitted by debtor countries seeking financial assistance abroad. More important still, it would be well situated to judge when, from a world aspect, public works programmes should be accelerated or retarded, as the case might be, and bring considerable moral pressure to bear upon the various countries to do their part in maintaining a world economic balance. It does not necessarily follow, of course, that the international co-ordination of public works will actually proceed along these lines. But whatever the methods adopted, the problems that have to be solved are clear and unmistakable. Unless there is some degree of co-ordination, disequilibrium in the balance of payments is an ever-present danger, which means in practice that countries will be timorous in their action. And again, unless parallel measures are taken in a number of countries, although demand may be sustained upon the home market, the world market will still be liable to collapse.

One of the final decisions of the World Monetary and Economic Conference was that the Bureau of that Conference should set up a Committee on Public Works, and the creation of machinery for international co-ordination

along some such lines as these would presumably be one of the chief subjects for examination by this committee.

vi. *Conclusion.*

In this very cursory attempt to cover the more important aspects of the use of public works for sustaining effective demand much has necessarily been glossed over and much omitted. To attempt to remedy this in the conclusion must inevitably prove vain; but by emphasizing once more the essential object in view something may perhaps be done to remove such misapprehensions as may possibly have arisen. A fundamental condition of good working of the financial-economic system is that the volume of effective demand for goods in general shall be sufficient to keep industry reasonably fully employed. This means that when the volume of buying tends to outrun industry's capacity to produce it should be restrained; when, on the other hand, it tends to fall short, it should be reinforced. If action of this type was necessary in the past, when the price and cost mechanism of adjustment was still working relatively freely, it is doubly necessary now.

Public works represent a rather important cog in the machinery required to perform this essential function of equating demand to capacity to produce. It is no more than a cog, the monetary policy followed being of much greater significance than the public works programme. Furthermore, as a cog, it is not perhaps altogether irreplaceable, there being other possible means available of bringing about much the same effect. Nevertheless, some method of making monetary action effective upon the buying side of the market is required; and on the whole public works would appear to have more claim for

consideration than most other methods as a means of doing this.

It may perhaps be as well, also, to reiterate that measures along these lines, even if completely successful, constitute no economic panacea. They represent a part, and an important part, but no more than a part of a much larger whole, to which the term 'economic planning' is now generally applied. They require to be supplemented by many other forms of action, notably by the greater integration of the various trades and industries (including agriculture) and of industry as a whole; by the co-ordination of production and marketing; and by the development of principles and methods of wage determination. This does not mean to say that the adjustment of effective demand must necessarily wait until the whole of such a programme has been realized. But the fact remains that it is essentially only part of this programme, although perhaps the most vital part.

The prospect of far-reaching changes thus opened up exhilarates or dismays according to the temperament of the beholder. It would be a rash man who would venture to prophesy what the eventual outcome of such 'economic planning' will be. This much is certain, however: that mere argument can lead to no positive conclusion. Fortunately or unfortunately, according to the point of view, we live in a time when certain of these measures are being tested, notably in the United States. In the course of the next twelve months we may learn more from these experiments than from a whole century of theorizing.

CHAPTER XIII

RECENT AMERICAN LEGISLATION AND ITS EFFECTS ON INTERNATIONAL RELATIONS

by

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IF you ask an American a question about conditions in the United States, the chances are that he will commence with an apology to the effect that he sailed for Europe so and so many weeks ago, and is therefore not altogether *au courant*. This, I think, is the best illustration of the rapidity with which the aspect of the United States has been changing. Perhaps, it is this speed of progression which is most responsible for the misconceptions and misgivings which the 'new deal' has created beyond the borders of the United States. A similar responsibility must be assigned to the apparent absence of any preconceived detailed plan on the part of the Administration. We expect revolutions to be proclaimed through high-sounding manifestoes. The new American Revolution has proceeded thus far in a uniquely pragmatic and opportunistic fashion. To use an analogy which President Roosevelt has himself employed, the President has been in the position of a football quarterback who knows that he must bring the ball to the goal line, but cannot call the next play until he has diagnosed the situation presented by his opponents' positions.

Now we have reached the point where a large part of the Administration's programme has been enacted into legis-

lation and where its practical application is under way. It is a point at which it is possible to survey what has been done and to prognosticate, to some degree, what is to come. I believe we should be in a better position to judge if we were to look at the historical development of the programme.

i. *The Situation Before 4 March, 1933.*

Consider for a moment the situation in the months immediately preceding Mr. Roosevelt's assumption of office. We had had three years of black depression. Unemployment figures stood at upwards of 15,000,000. The Hoover Administration had attempted to arrest the downward spiral of deflation by pumping credit into the veins of business through open market operations by the Federal Reserve System, and to bolster up the weakening financial structure of the country through large loans from the Reconstruction Finance Corporation. These attempts ended in sad failure. Worse still, in January and February of 1933, an unparalleled financial panic started under way. Hoarding of currency reached incredible figures. A wave of bank moratoria swept over the country. State after state was engulfed until, in the night of 3 March, the wave broke over the financial capitals of the country, New York, Chicago, and Boston. A few hours after President Roosevelt had taken the oath of office, he had issued a proclamation closing every bank in the country.

This event is of capital importance in the subsequent development of the programme. If the financial crisis had not come to a head, it might have taken years to put through a revolutionary programme. The closing of the banks dramatized the crisis and rallied public opinion. Had the President elected to nationalize our entire banking establish

ment, I am convinced that there would have been barely a murmur from the country. He elected to proceed more slowly, but with almost equally drastic results.

ii. *Preservation of the Financial Structure.*

The immediate task of the Administration was to preserve the financial structure of the country. The banking moratorium, the suspension of gold payments, an embargo on gold exports, served for a moment. Almost immediately the Administration proceeded to complete the process of deflation as rapidly as possible. The weakest banks were placed under Federal conservators or merged with other institutions. A programme of sweeping governmental reorganization was put through. The ordinary expenses of government were pared to the bone and the budget was brought into approximate balance.

iii. *Immediate Relief of Unemployment.*

The next step was clearly indicated—the immediate relief of unemployment. A Reforestation Corps was created for the re-employment of 250,000 men at a relatively small cost. To relieve suffering a grant of \$500,000,000 for direct relief was made to the states. An unprecedented public works programme involving \$3,300,000,000 was projected. The Government went into the power business through the large-scale Tennessee Valley improvement programme.

iv. *Measures for Raising the Price-Level and Reducing the Burden of Private Debt.*

From the very beginning it was clear that the Administration regarded these measures as mere panaceas. A really

permanent reconstruction, it was felt, could be started only through a raising of the price-level and a reduction of the appalling burden of private debt. As a beginning, these measures were to be applied to the agricultural population which had suffered from low prices for more than a decade. Through the Basic Commodities Act, the Government undertook to secure a fair price for the producers of such commodities as wheat and cotton, by granting them a bounty to be raised by imposing taxes on the processors of these commodities. In return for these bounty payments, the farmers were to undertake to reduce their acreage in accordance with a fixed scale in order to assure against overproduction. Under the Farm Mortgage Act, mortgages were to be refinanced by a governmental agency. A similar mortgage measure was enacted for the relief of home owners who could not meet their payments.

Most of these measures were a far cry from Mr. Hoover's 'rugged individualism', but they were in no sense revolutionary. Any liberal administration with an understanding of the exigency of the situation might have done the same. Yet, truly far-sighted statesmanship could not rest satisfied with what had been accomplished. To restore a well-balanced economy it was necessary to raise the general price-level as well as the prices of agricultural commodities. To maintain such an economy once it had been reached, it would be necessary to exercise a considerable degree of governmental control over capitalist enterprise. A few steps in the latter direction had already been made. The railways were brought under closer governmental control by the appointment of a Federal Railway Co-ordinator. A Drastic Federal Securities Act provided for severe scrutiny of the marketing of stock and bond issues. Nevertheless,

at no point had the primary forces of economic life been placed in leash.

v. Currency Legislation.

The way for the great change was opened by the enactment of the currency provisions of the Basic Commodities Act. The President was empowered either to expand the currency through open-market operations by the Federal Reserve System, or to issue several billion dollars of paper currency, or to decrease the gold content of the dollar within certain limits.

Within a few days after the enactment of the new currency legislation, the United States had gone off the gold standard, and shortly thereafter a joint resolution of Congress abrogated the gold clauses of public and private obligations. The Administration seemed to be committed to the view that inflation was the essential prelude to a return to prosperity, even though no inflationary measures were actually undertaken.

Now, inflation, even when properly controlled, involves a most serious dilemma. There is no question that its initial effect is to raise prices and usually to increase business. But, always the rise in wages lags behind the rise in prices. Thus, not only is labour deprived of its share of the benefits of inflation (indeed, prices may rise to such an extent that an actual reduction of real wages results), but the purchasing power of the people is not increased and, in time, the boom which inflation has brought forth may explode with disastrous effect.

vi. The National Recovery Act.

By a rare stroke of luck the Administration was presented with a way out of the dilemma. In April the Senate had

under consideration the so-called Black Thirty-Hour Amendment, an offshoot of a well-intentioned but incredibly absurd 'Share-the-Work' movement which had languished and expired in the last weeks of the Hoover Administration. Under this Black Amendment, all or certain classes of wage earners would have been forbidden to work more than thirty hours a week. It was a silly bill, but it seemed very likely of passage when the Administration seized it, quietly smothered it to death, and substituted for it the National Recovery Bill.

Now we have reached the very keystone of the new economic arch, and we should consider for a moment the whys and wherefores of the Provisions of this National Recovery Act. Each industry is to draw up a code, to be adopted voluntarily, but which once adopted becomes enforceable in the courts. These codes are to contain provisions for minimum wages and maximum hours of work. To maintain these standards, employees are to have the right of free collective bargaining through trade unions of their own choice. Here we have a shortening of the hours of labour in order to bring about re-employment, and a raising of wage levels in order to restore purchasing power.

Now, obviously the employers are not going to shorten hours and raise wages unless they get something for it, and the Act offers them a real *quid pro quo*. They may agree on measures to stabilize the industry, eliminate unfair competition, and secure the exemption from the operation of the Anti-Trust laws which they have so long demanded. On the other hand, the government secures the possibility of exercising a rational control over industry through its supervision of the drafting and enforcement of the codes.

vii. *Immediate Difficulties in the Application of the Programme.*

Here then, was the programme all written out on paper. Barely had it been enacted when the first difficulties appeared. Inevitably there was a sharp increase of production in order to pile up stocks before the codes came into operation, a buying up of commodities in order to forestall the expected rise in agricultural prices. The result was a speculative boom of a most unhealthy character. Fortunately, it was short-lived. The Administration saw the danger of a too rapid rise of prices, the commodity exchanges were placed under some measure of control, and the possibility of governmental price fixing was bruited. At the same time the President brought out his 'blanket code' to serve as a stop-gap until the permanent codes could be put into force. Finally, all the machinery of propaganda with which we had become familiar in time of war was brought into play to bring the force of public opinion to bear down on recalcitrant employers. The 'blue eagle' of national recovery, which all concerns and persons participating in the national recovery programme were entitled to display, became the new symbol of patriotic endeavour.

Nevertheless, the immediate dangers are by no means passed. In the last two weeks the prices of finished products have been rising faster than those of basic commodities. Wheat prices, for example, have been maintained at a fair level only through exchange restrictions. This, by the way has caused considerable difficulties on the Winnipeg grain exchange since traders have rushed to buy there at lower prices than are permitted in the Chicago wheat pit. Some raw material prices have risen disproportionately with un-

fortunate consequences. For instance, building construction which had been enjoying a fair measure of revival has fallen off again because of the rapid rise in the prices of building materials. The other day, Professor Ogburn, who had been associated in an advisory capacity with the Recovery Administration, resigned in protest over what he considered the inadequacy of the Administration's efforts to protect the consuming public. Most serious is the hesitancy of several large industries, particularly the steel industry, to draw up satisfactory codes. In some part this hesitancy is due to a legitimate feeling against an increase in production costs at so uncertain a time. Their main objection, however, seems to be against the trade union provisions of the Recovery Act. If these industries persist in maintaining their open shop policy, it may mean the collapse of the whole programme. These are only a few of the hurdles in the road. Whether they can be removed by conciliatory means or whether governmental coercion will have to be resorted to, the next few weeks will tell.

viii. *The Ultimate Objectives.*

After this summary glance at the course of the American revolution, we might well ask ourselves some questions. What is the goal we are striving for? What dangers lie in the way? And most interesting for our present assemblage, what are the international implications of all this?

The first question can I think be easily answered. The Administration desires, first of all, to refashion the economic structure of the country so as to secure a more equable distribution of the national income. Secondly, it desires this new economy to be a stable one, protected from the violence of boom and depression. The essential elements in attaining

these ends, I take to be an intelligently organized labour movement, such control of capitalist enterprise as can steer it safely between the Scylla of monopoly and the Charybdis of cut-throat competition, control of the creation of capital goods, and the maintenance of a stable price-level.

ix. *Domestic Problems of the Future.*

I need not tell you that these elements raise exceedingly difficult problems. Take the first of them—the organization of labour. Since the war, the American labour movement has suffered from all the diseases which one could imagine. Most of the trade unions were incredibly weak, only a minute proportion of the workers were organized, many unions were under corrupt or criminal leadership. Trade union treasuries are practically exhausted by three years of depression. Without money and without leadership you cannot build a strong labour organization. Without such an organization the provisions which lie close to the heart of the National Recovery Act will become dead letters. The result is that, until labour can be organized, the government will be forced to represent labour in making wage agreements with employers. Here then we have the crux of the matter; revolutionary though the programme may be it will not amount to a brass farthing unless we possess a wise Administration and a strong, efficient, and socially intelligent body of civil servants.

You can see the overwhelming importance of this in the other elements which I have denominated as essential. Control of capitalist enterprise obviously requires eternal governmental vigilance. One of the main causes of depression has been the piling up of capital goods, factories, machinery, railways, during boom times. The one effective

instrument for the control of the creation of capital goods is an income tax so adjusted as to discourage investment in times when investment is dangerous to the public welfare. Here again we need an Administration which can direct matters intelligently. The maintenance of a stable price level may involve a managed currency, a 'commodity dollar' perhaps. You can see what a mess could be made of our economic life if the currency were managed by inexperienced or corrupt hands.

At the present moment we may be under way towards securing the kind of civil servants which a programme of this kind demands. You have all heard of the President's immediate advisers, the famous Brain Trust. You may not know of the revolution which has been brought about in the personnel of a number of the governmental departments. The Departments of the Interior, Agriculture, and Labour particularly have been restaffed, in part, with men whose calibre could hardly be matched even in the justly famous British Civil Service. You may be interested in a little story which has caused some sardonic laughter among old-line politicians in Washington. An enterprising young man with considerable political backing was proposed for the post of Indian Commissioner. He was intelligent, of good appearance, he had been a hard-working Democrat, and his political backers were powerful. But the expected appointment did not come. Finally, the young man made a direct inquiry. The reply came that he could not be appointed Indian Commissioner because he had no sense of social justice towards the Indians.

But even if we get an efficient civil service during this Administration, how long will it stay that way? The dispossessed politicians will not long remain quiescent. Our

industrialists are well aware that governmental control is inevitable. Will they not attempt to possess themselves of the controlling posts? If they do, then our last state will be worse than our first. We have fashioned a system which is capable either of much good or of infinite evil. And the greatest of these evils is a permanent industrial Fascism.

x. *International Problems: (a) The World Economic Conference and the Change in American Ideology.*

So much for the hopes and fears of our domestic situation. What are we to look for in the international sphere?

During his campaign Mr. Roosevelt returned again and again to the orthodox Democratic doctrine of a lower tariff. Although he had executed a sad *volte-face* on the League of Nations, most of us felt that we were due for a period of closer international co-operation. For some months, the Administration was an enthusiastic supporter of the projected World Economic Conference. Why the sudden change in this attitude?

You must remember that the Roosevelt Administration took office as a Democratic Liberal government of the more or less conventional type. Secretary of State Hull is the personal embodiment of this early character. During the next three or four months the Administration moved continuously towards the left. When the stabilization crisis struck the London Conference, not only had the American economic scene undergone vast changes, but these changes were reflected in the new ideology of the Administration. There had been no revolution in personnel but there had been a revolution in ideas. On the one hand the Administration felt that it could not consider stabilization until the fires of experience had revealed the proper level. On the

other hand it exhibited the very understandable irritation of one who has recently found a new faith towards those who still hold blindly to what the convert feels to be ancient superstitions. The French and British persisted throughout in considering depreciation of the currency as a weapon of international economic warfare. At no time did they seem to realize that the United States was following a new road, that all the advantages which depreciation might give in foreign trade were being deliberately erased by an increase in domestic production costs. By the middle of June the Administration had lost much of that interest in foreign trade which had so long distinguished Democratic policy, at least when the party was out of office. True enough, there still existed considerable confusion of thought on the American side as the outcry against the gold bloc nations for their refusal to drop the gold standard shows. If these countries had gone off the gold standard they would have been able to sell to the United States more cheaply, unless they too would embark on a programme of raising production costs of which there was very little likelihood. The only danger to the American economic programme which the maintenance of the gold standard involved was that it offered a refuge for the flight of American capital. But this danger was really a slight one as the recent return of considerable capital to the United States has shown.

(b) The Trend towards Economic Nationalism.

The collapse of the conference was only an incident. The future holds greater dangers. There can be little question that the United States is embarking on an era of intense economic nationalism. The character of our recovery programme points towards it and the new propa-

gandistic activities will no doubt intensify it. This sort of a situation augurs ill for world co-operation. Our big-army-and-navy people have been quick to seize the opportunity, and we are now on the eve of the largest naval building programme in the history of the United States.

Worst of all perhaps, all hopes of wholesale tariff reductions seem to have gone up in smoke. Interestingly enough this coincides with the passing over to protectionism of a number of prominent free trade theorists, particularly Mr. John Maynard Keynes. Personally I am not quite ready to follow the new gospel, but in all fairness, one must point out one possible consolation. If our recovery programme requires the maintenance of high tariffs, it seems, on the other hand, to be leading towards a reduction and perhaps abolition of our export surpluses. In other words, our industry may be so adjusted as to occupy itself only with the domestic market. Those countries which find it impossible to sell in the United States because of high tariffs, will be able to sell to better advantage in other countries where they will be freed from American competition.

I am not sure that this is much of a consolation. Obviously it would be far better if production costs all over the world were raised so as to achieve an approximation between world prices and American domestic prices. This was the thought behind President Roosevelt's message to the London Conference in which he advised other countries to adopt the same policy as the United States. Now it may seem to us, who are daily witnesses of the high cost of living in Switzerland, that this is silly. But we must not forget that there are many countries in which labour costs stand at a very low figure. It was most unfortunate that the American price-raising proposal should have become entangled with

the currency problem. Just because the United States chose to initiate its policy by going off the gold standard does not mean that price raising and currency depreciation are inevitably tied together. Japan and Great Britain have long been off the gold standard without any appreciable increase in the wage level. It would be perfectly practicable for France, for example, to embark on a policy of enforcing shorter hours and higher wages without impairing its currency in the slightest degree. But while it would be a fine thing for most countries to bend their energies towards raising prices and wages, the political realities of the world scene stamp the whole idea as visionary. How can you expect the controlling interests in, say, Japan or Italy voluntarily to submit to a strengthening of the labour movement and a rise in costs of production? Nor do I think that a country like Great Britain which has tasted the heady wine of a revival of foreign commerce would willingly chance a loss of its new gained advantage to countries like Germany where wage scales are going down instead of up. There is no question but that we are now witnessing an upward movement in wholesale prices everywhere. Yet, for some time to come American prices will probably rise faster than world prices, with consequent maladjustment of world economy.

On the whole it would seem that the new American policy will be a disturbing factor in international relations. During the weeks when the dollar fluctuated violently, it was certainly most disturbing to international trade. For some time to come, the refusal to lower tariff barriers, if such should be the case, will cause considerable difficulties to countries doing business with the United States. But, there is this to be said in mitigation. We are on the flood

tide of a great enterprise of reconstruction. We are proceeding on it with unbounded enthusiasm and single-mindedness of purpose. Should we succeed in bringing to life a new and better body economic we will have done much more for the peace and happiness of the world than transitory monetary and tariff concessions could do. There have been two schools of thought in regard to the essentials for recovery. One school believes that the revival of international trade comes first; therefore we must have reduction of tariffs, cancellation of intergovernmental debts, re-establishment of the gold standard. The other school preaches that the welfare of the whole will best be reached if each country sets its own house in order. For good or evil the United States has chosen the road indicated by the latter school. Impediments to international trade are now secondary matters as far as our country is concerned. Our great task is to continue the work to which we have set our hands. If we should succeed our example may prove contagious, but for the present *il faut cultiver notre jardin à nous*.

(c) *Other Factors in American Foreign Policy.*

There are certain other factors in the foreign policy of the United States, not immediately connected with the economic programme, which hold out considerable hope. For one thing we shall undoubtedly recognize Soviet Russia in the near future, and thus ring down the curtain on an absurd farce which has been too long protracted. It is difficult to secure a full view of the Cuban situation from this distance, but the President's policy in that unhappy imbroglio seems to be imbued with wisdom and tact and holds out promise that Cuba will at last be freed from its bondage to the sugar interests.

Happiest of all, in my opinion, is the new tone which has entered American foreign policy. For decades the United States has adopted a 'holier-than-thou' attitude in the international sphere. We have been prone to conceive ourselves as the saviours of mankind while our actions have often belied our words in the crassest fashion. The Administration has now said in so many words that the United States is interested first of all in the United States. From now on, we may be sure that any offers of international co-operation on our part will have a more realistic foundation and a more honest aspect. We may not have any more high sounding moral pronouncements, but at least we shall not have such shameful incidents as the invasion of Haiti and the economic subjugation of Cuba. As to which is more conducive to international good feeling I leave to your own appreciation.

CHAPTER XIV

AUTHORITY AND FORCE IN THE STATE
SYSTEM

by

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i. *Changes in the State System.*

THE discussions so far have dealt with the record of current events affecting the League and with special instances of League action. The policy embodied in the League system is to be judged by reference to such experience. And by continually reviewing what has been done or considering the reasons for failure, when it has occurred, we shall make more secure the organization of peace. We may even, by spreading a knowledge of the facts, reduce the dangers of war.

But besides this general review and discussion of separate problems, some consideration should be given from time to time to fundamental principles; partly because these may be obscured in the discussion of details of policy, partly because events throw new light upon old principles and may compel their revision. The events which concern the League system are not only those in which League machinery has been used, such as the Manchurian issue; for the League is part of the State system and conditions are changing in that system quite outside the immediate concern of the League. Government is changing its relation to industry, finance, and commerce; and new types of government, as

in Germany, are affecting the relations between all governments. The League is a system of co-operation between States; but States are acquiring new characteristics and co-operation may therefore have new meanings. Again, it is important in practical politics to watch for modifications in the social atmosphere—in the prevalent habits and beliefs, although it may be difficult to describe those changes clearly and still more difficult to be a weather-prophet and to say whether 'fair weather' or another 'depression' or even 'thunder' is likely. But whatever the prospects may be, clearly changes both in political structure and in social atmosphere are occurring which affect the whole State system.

One of the most important social changes in recent years is in the general loss of confidence, not merely in the security of money claims but also in the authority of governments; and even the assumptions on which our social system rested fifty years ago are now disputed. What was once regarded as fundamental is now no longer fundamental precisely because it is the subject of dispute; and when no common ground is accepted by two disputants, one or other tends to appeal to force. Some of those who, in any case, would prefer the League system to be weakened or dissolved, have asserted loudly that the Manchurian case and the futility of the World Economic Conference and the bare survival of the Disarmament Conference have shown that the League is useless; and in the general weakening of the moral authority of Treaties, there is a revival of the old belief in the inevitability of war. Force flows in to fill the vacuum left by the dissolution of authority.

Others, however, think that the ill success of the League system has revealed, not the defects of that system but the

character of the Governments which compose it. As the proverb says, you cannot make a silk purse out of a sow's ear. You cannot change the basis of a traditional State system, if the States themselves remain armed camps. It is not a question of the policy of governments merely. It is not merely that one political party rather than another has control of this or that State. Not this or that government but government itself is in question. Not which way you vote but what the assumptions are upon which citizenship rests—that is what matters when fundamentals are in dispute. What is at stake is civilization itself, now opposed to barbarism once again, in the increasing tendency to appeal to force.

The most obvious sign of government is authority. But upon what is authority based? For centuries men may not ask that question. They acquiesce, by unthinking habit, in any commands that have certain conventional signs attached to them. Authority is known by its cocked hat or its crown or the red band round its military cap. And in the League system, as well as in national affairs, authority is required; but the authority of the League is dependent entirely upon the authority of the Governments of the States which are its members. What then is the basis of the authority of the League and of the Governments which compose it—including, before Japan repudiated her membership, the Government of Japan? The fundamental question in the Manchurian dispute is not why the other members of the League did not enforce their judgement, but why one member, the Government of Japan and the whole Japanese people, thought it right to violate three Treaties, or thought—if they really thought—that what they did was not a violation of their pledged word. This same issue has been

raised in an abstract form in discussions about a certain resolution passed by the Council of the League of Nations Union. And the 'Japanese' view appears to be held by some important members of the Union; that is to say, it is held by them that if and when one's own Government decides that it is not breaking a treaty by taking action which all competent judges condemn, then one is bound, as a citizen, to follow the judgement of one's own Government. On such principles, the League system is accepted only in a 'Pickwickian' sense. We agree to abide by the judgement of the organs of the League, so long as we do not think that they are wrong! But what moral authority can a system have, whose constituent members reserve to themselves the right to reject the system when it seems to them to work injustice to themselves? How can a Court of Justice operate, if its decisions are repudiated by any strong man who dislikes them? Worse still, what moral authority has a system if citizens are bound to reject it when the particular few of them who constitute their government decide to reject it? The government, in that case, has control, not only over policy but over the morality on which policy rests. But if a man gains my assistance by making a promise to act in a certain way, how can he claim my assistance in breaking his promise? Loyalty to the State is morally dependent upon the State's fulfilling those conditions for which it is assumed to exist. What are these governments? What are the States over which they rule? By what moral right do governments rule? And when their rule involves action affecting the citizens of other States, by what moral right do they take action in debasing their currency for the advantage of their own citizens, or in raising tariffs for the advantage of special

classes of their citizens, or by war—for Heaven knows whose advantage? The authority of the League and that of the Governments composing it involves questions such as these.

ii. *Moral Authority.*

Authority obviously is of two kinds. In one sense it is the actual *power* to command effectively; that is political authority. In another sense, authority is the *right* to command, not merely the power to do so; this is *moral* authority. But in times when moral authority is in dispute, men fly to force; and obscure the issues by identifying political authority or actual power with moral authority or the right to use power. Force, then, which may be useful as a supplement to authority becomes its disastrous substitute. The resort to force, however, is never ostensibly nor confessedly a repudiation of moral authority; because those who, in fact, use force as a substitute for moral authority claim to be using it, not as a substitute but as a supplement to such authority. Every war is supported on both sides by an appeal to the moral authority of which each belligerent regards itself as the instrument. Men and women confidently ask the same God to maintain the same principles from the trenches of both sides. And after wars, history is written from both sides to show how wrong the other side was. *Gesta Dei per francos*. It is assumed that the beaten side is wicked. Force is identified with moral authority.

The obvious absurdity of this leads some clever men to develop a still more astonishing idea—namely that, after all, God was on both sides! This deity, however, in modern times is called Nature which, in the current mythology, is said to select the fittest by a struggle which She—for Nature

is female—has devised. The most interesting statement of this absurdity in application to war is in Hegel—‘Das Weltgeschichte ist das weltgerichte’; or in the simpler phrase—‘It will all come right in the end’. This assumes that the only way in which to discover which side is morally right is for each to try to destroy the other: that is to say, there is no distinction between what actually occurs and what ought to occur; or, in the traditional phraseology, there is no difference between *de facto* and *de jure*—anyone who has the power has the right.

iii. *The Facts of Experience.*

This engaging theory, however, will not fit the facts. It does not explain how men actually command and obey. In all parts of the world men live under some form of authority. The police who direct the traffic express one form of authority; the collector of taxes expresses another. Both of these are exercising the authority of the State. And within voluntary associations such as the League of Nations Union, the authority of the organizer of Summer Schools keeps some of us sitting in rows. Authority is still exercised by parents over children in the traditional family; and all churches use authority.

The exercise of authority involves the action of some under the direction of others—therefore, obedience on the one hand and decision on the other. But the reason for obedience and the efficacy of the decision are quite different in different cases. The nature of the authority differs; for in some cases obedience results mainly from *fear of the consequences* of disobedience, and in other cases mainly from *approval of the order imposed*. The distinction is abstract. It is a distinction not of different ‘authorities’ but of two

distinguishable aspects in all authority. For example, the policeman directing the traffic is obeyed partly because of fear of consequences and partly because of approval of the order he gives. Unfortunately, almost all our social and political theory of authority is based upon the thought of lawyers; and lawyers are chiefly concerned with people who do *not* obey the law. Their experience is the experience of law courts. They know only of 'cases'; and their conceptions of law, therefore, tend to assume that law is what men do not want to do but have to be compelled to do. Thus force, which, in fact, is the basis only of the criminal's obedience, if he obeys, is thought to be the basis of *all* obedience; and force thus comes to be thought to be the essential element in the efficacy of all authority. Similarly, the primitive system of education was based upon the entirely false assumption that children do not want to learn and must be flogged. And in some of our most modern theories of marriage the chief problem of marriage seems to be how to be divorced or, in the orthodox tradition, how to keep people married who do not want to be married. Abnormalities are wrongly made into the basis for understanding life, by those whose business it is to deal with abnormalities. But the great majority of men obey the law because of a vague approval of what it enjoins or from habit based upon such approval. And all normal men, even in cases where fear of the consequences of disobedience may operate upon them, feel some approval of such consequences—which is an acknowledgement of their consent to the law. The moral authority of the law rests upon this consent, which is a sign of an awareness of the 'good' for which the law exists.

The diverse conceptions of authority and of the relation

of force to authority deeply affect the League system, because these diverse and even contradictory conceptions dominate the States which are members of the League. The obstacle to the work of the League is not merely a defect in machinery, nor merely the incompetence or unwillingness of particular persons in the organs of the League. That obstacle is partly the result of a refusal to face the fundamental principle on which alone the League system can operate—namely that force gives no moral right, that force may be a supplement to moral authority but never can be its substitute. This is the principle which is the fundamental repudiation of war. It means that it is not simply more convenient but that it is *morally right* to solve inter-State difficulties by conciliation and morally wrong to appeal to force as a substitute for stating a case. Do we or do we not believe in the principle of adjustment of differences by discussion and conciliation, the principle of working together for certain common goods with those who do not agree with us on other points? And if we believe that that principle is applicable in inter-State relations, as opposed to the principle of the appeal to force, are we willing to act upon that principle?

iv. *The States-Members of the League.*

What answer do the States-Members of the League give to such questions? Among the Members of the League, there are two distinct types of State—those in which the government is based upon the acquiescence or consent of the whole body of citizens including those who are critics and opponents of that government's present policy and, on the other hand, those States in which the government is based upon the force of some highly organized group which refuses to allow criticism, opposition, or the possibility of a

change of policy in accordance with criticism from their opponents among the whole body of subjects. The distinction between a citizen and a subject is important. A citizen is a person with direct right and power over the policy of his government; a subject is a person who obeys but has no such right over policy. Thus the distinction between States is that in one class of State all the adult population are citizens; in the other only the members of a selected group.¹ In this second class of States—called Dictatorships—the governments have complete control of the Press; and there ‘opinion’ within such States cannot be influenced by any foreign or external influences which the governments find inconvenient. Education in such States is used to form a subject population in the fixed mentality of some particular social doctrine: and other States are regarded as ‘wicked’ or as rivals in arms. The States under Dictatorship form ‘closed’ systems, having no essential or ‘inner’ integration with other States.

v. The Methods of Government.

The methods of government in the two classes of States are the results of different actual experiences. The States of West European tradition called, perhaps unfortunately, ‘Democracies’, after many experiments have developed a machinery of discussion, agreement between opponents, and command by continually changing ‘authorities’. The result has been an advance in the health, knowledge, and well-being of their citizens and subjects, without precedent in

¹ In France, Switzerland, and some other non-Dictatorships, women have not yet direct political power; and therefore such States are not fully democratic. But a fantastic theory saves the face of such ‘Democracies’—the theory that the male ‘represents’ the family unit.

all history. During the last century the organization of transport, the drainage and water-supply of city areas, the improvement in housing, and other such advances have increased vitality and lengthened life. Education of all social classes has rapidly improved; and now for the first time in history, in the Democracies, all the children are at school and have parents who also have been at school. That is an immense change: for hitherto only a few children were educated and, when general education was introduced about 1870, most parents had had no education. Even within the last twenty years the advances of health, knowledge, and vitality in Democracies have been very great. But European travellers still go to non-European countries to look with admiration upon advances less remarkable than those which have occurred in their own countries.

At the beginning of the twentieth century, the methods of government found useful within the Democracies were extended into the international field. The League system was founded upon the principles discovered by experience to be useful for the good of common folk—namely discussion, agreement between opponents, and command by changing ‘authorities’. The League system is the natural development of the methods of government discovered in West European States. It depends upon the validity of the principles of ‘democracy’.

On the other hand, at the end of the Great War, a mass ‘neurosis’, due to economic and political disorganization, led to violence between groups in Russia, Italy, and some other States. Political authority was in dissolution; and no one knew where moral authority was to be found. Force was used by an organized group in order to seize authority. Civil war led to the victory of one group, and

Dictatorships were established. Similar psychological experience has led recently to a similar system of government in Germany. All Dictatorships are the results of victory in a civil war: and the methods by which such governments have been established naturally affect their habits in 'foreign' policy. Not only Italy and Germany but also Poland and Yugoslavia are dictatorships, within the League: but they are in fact repudiations of the very principles on which the League depends. Some dictators actually preach war—which the League is supposed to prevent: and all use the League system to cover their preparations for destroying it, even to the extent of misusing the positions of members of the League Secretariat and of the International Labour Office who are their subjects. Thus within the League some States-Members stand for and depend upon principles which are openly opposed to the principles on which alone the League system can operate.

vi. *The Purposes of Government.*

The contrast between the two kinds of State, however, can be stated in another way—considerably less complimentary to the so-called Democracies. It may be asked not what methods are adopted for the maintenance of authority, but what actual *uses* these methods have? The question is not what *purpose* is in view but what actual effects follow from what is done; not what is intended but what is the result of the policy of the different governments.

In the so-called Democracies, the conception of the 'end' in public action is traditionally egoistic. Each citizen is assumed to look after his own interest: and the State is supposed merely to hold the ring for a free fight by all, in

which each gets as much and gives as little as he can. It is supposed that the result will be as good as possible, because an 'unseen hand' contrives that the common good will be achieved, if each works for his own good. Again, groups within the State are represented as opposing 'interests': and each group—trade union or employers' price-ring or church or political gang—fights to get as much as it can for its members. Also the nations or States, which profess to practise co-operation, are supposed to be each trying to get as much trade or gold or territory as it can by 'peaceful means'! Violence is avoided in order that their cunning may have a freer field! And in practice in the great Democracies armaments firms tout for orders and raise war scares in order to increase their profits, sometimes with the diplomatic assistance of their governments, which profess to be working for peace! The League system is, therefore, hardly operative in the actual purposes and ends achieved by the so-called democracies! The practice of democracy is worse than its principles.

In the Dictatorships the 'end' is a common good; and each citizen and subject is compelled to work mainly for that common good, as conceived by the Dictator. The organization of the State is *not* a mere holding of the ring for rival 'interests', but an attempt to make each person and each group within the State fulfil a function in the common life. War is advocated in some Dictatorships because devotion to a common good in war is traditionally understood by everyone: but no one seems to understand what a common good would be in times of peace. The conception of a common good is crudely conceived in Dictatorships and it excludes arbitrarily certain human beings, as slavery did, from a direct share in its common good: but the appeal

to work for a common good is the most powerful influence in the maintenance of a Dictatorship.

vii. *War and Peace.*

In the relation between States the same principles are applicable. The war system is maintained by Dictatorships and the League system is the alternative so far developed by the other type of State. Clearly no Dictatorship wants war at present: but every Dictatorship rests upon the assumption that war is the fundamental and inevitable relation between States. Any Dictatorship may accept the minor obligations of membership in the League, for what it can get out of such membership for itself. The League, for example, with its great opportunities for rhetorical formulas at public meetings may be a convenient means for a Dictator to postpone war until he is feeling more certain of victory. If God or Nature or Right is indeed on the side of the big battalions, it would be unfair to It or Him to appeal to the 'arbitrament of War' until your battalions are big enough. The final test of the support of God or Nature for a Dictator is whether he can afford to pay for enough armaments.

On the other hand, what of the non-Dictatorships? They are supposed not merely to profess but to practise conciliation, co-operation, and policy based on agreement, rather than on the will of the party with superior force. But in their relations as members of the League, they remain rival traders and tricksters or agents for gangs 'on the make'. Their professions contradict their policy.

What then is the test of acceptance of League principles? The *acts* of Governments and peoples which are members

of the League. If the governments which are supposed to stand for the elimination of the appeal to force in inter-State relations wish to maintain the League system in sufficient authority to be relied upon, they must act at once in certain definite matters. They must, first, make their own institutions more efficient in the work for peace. It is necessary in Great Britain, for example, that some form of Peace Act shall bind all future Governments to keep the pledge under the Covenant, as the Spanish Government has already bound itself. Thus it may become clear to the meanest intelligence that no citizen can be morally bound to assist his government to violate its moral obligations. The acceptance of the League Covenant has changed the basis of the State system: now we need to change the dominant moral attitude of citizens towards the citizens of other States. The law of each State can do something to assist. Again, if the Democracies take the League system seriously, they must abolish all private trading in the instruments of war. To support tendencies which contradict the League system is to destroy that system in fact, even if one supports it by rhetoric. And finally, the ultimate purpose for which the States and the League itself exist must be stated in terms of common folk. The common good of ordinary men and women and children is the only purpose which will establish the moral authority of the instruments of government. Can the Democracies achieve a common good more inclusive and more genuine than the Dictatorships?

viii. *The Common Good.*

In the confusion of controversy as to ways and means in politics, the conception of the *purpose* of politics may be

obscured. War and peace, dictatorships and democracy are only methods by which something can be obtained. But what is that something? The question must be asked: because a disagreement as to methods may hide a much deeper disagreement about the end at which we are aiming. It must not be *assumed* that we are all working for the same end. The majority of political 'leaders' indeed, as well as common folk, do not think very clearly about what they are 'at'. The problem 'who is to have power?' tends to take all attention away from the more important problem 'what is to be done with power, whoever has it?'

There may be diverse methods for reaching the same end, as there are different roads to the same place; and if war is for the sake of peace, presumably both war and peace are methods for living untroubled by one's neighbours. Similarly, in the case of dictatorship and democracy, both produce roads and drains and other forms of common good. There is no disagreement nowadays about the functions of any form of government in improving material circumstances. But even that agreement is not enough to satisfy some of us: for roads and drains are themselves means and not ends. What are such things 'for'? Obviously, they are intended to improve actual men, women, and children. They are intended for health, knowledge, and enjoyment, which are the activities of human beings. They are the means by which a certain kind of men, women, and children may be brought into existence: and although all forms of government aim at healthy people, democracies aim at something more.

A world of war and of dictatorships organizing nations for war may produce very efficient roads, drains, and other instruments of civilization. But consider the men and

women produced. They have food, clothing, and security. They are 'properly looked after'. Food makes a man fat; clothes make him warm; and security makes him sleepy. Fat and warm and sleepy men are probably happy. And it would be a pity if democracy could not produce such happiness for those who desire it. But some of us desire more. Some of us desire to think and to say what we think, in order to think more and to hear what others say in order to think more still. The enjoyment of thinking is not very widespread; and it can be easily suppressed. In civilized communities the number of those who enjoy thinking tends to increase. But that tendency makes those who do not enjoy thinking very uncomfortable. It is so 'unsettling'! Thus those to whom thinking is painful and those who cannot bear to perceive that others are thinking, fly to emotional obscurantism, religious or political. And some of those who have been able to think up to a certain point become alarmed lest others should continue when they have stopped. These adopt a fixed gospel—Marxian or Hegelian or 'home made'. All thinking is supposed to stop where the Dictator stops, as in the days when Calvin in Geneva condemned Castellion, the advocate of toleration. A ready-made new orthodoxy, like Calvin's, is always as eager to persecute as any older dogmatism.¹ The men, women, and children who can be produced by the methods of Dictatorships would be enthusiastic perhaps, but unthinking, and indeed unable to understand what thinking is. They would be unable to grasp, therefore, the nature of that process which, since the sixteenth century, has made men civilized: and

¹ The plea of Castellion against Calvin is like the plea of reason against modern dictators. It is well stated in the *quinque impeditorum* ... *brevis enumeratio*.

their community would be unable to continue the advance whose latest results they are using when they reform education or build roads.

ix. *Peace and the Common Good.*

The modern State system under democracy is the result of the same intellectual and emotional forces which show themselves in modern science, art, and common life. These forces operate in the gradual attainment of truth by discussion and free inquiry and of good by experiment. The State system within every State is the means by which force has been eliminated and moral authority increased in the relations between men. The State is essentially an instrument of peace. War is a survival from primitive times, before the State existed. Civil war has been made unnecessary under democratic principles by devices for changing conditions otherwise than by contests of opposing groups. War between nations we are now trying to render unnecessary by similar devices. But there is a set-back. Economic distress makes some people reckless; and they fly to primitive habits. Dictatorship is a return to barbarism. But even if the whole world fell into barbarism, under an increasing number of dogmatic Dictatorships, the principles of moral authority would be quite untouched by the fact that men went mad and tried to substitute force for it. The fundamental difficulty at present, however, is that even among the Democracies there is no emotional grasp of what is implied in the League system. We still conceive of war as the time when men ought to serve a common good and of peace as merely a scramble for private gain. But all enthusiasm goes to service of a common good; for it is dimly perceived by most men that in such service alone do

they themselves find a life worth living. It is not a question of altruism. Men serve in war not for 'others', but for a larger whole in which they themselves are a part. The common good is a form of life for each man, not a gift to others: and so the 'nation' is conceived by Fascism and 'the working class' by Communism, as a form of life for each. The moral authority of democracy rests not upon the mere fact that greater numbers 'consent' to government; for they may 'consent' wrongly. Moral authority rests upon the enthusiasm for a common good which is really, and not merely in opinion, such a good. As philosophers say, it is a 'value', emotionally perceived, which compels the adoption of certain means to attain it. This value is a common good of such inclusiveness and depth that it can be attained only by the methods of discussion, experiment, and changing political 'authority'. For the sake of this, peace is desirable; and war is objectionable, because it obstructs the attainment of this. Therefore democracy must repudiate the false conception of the general scramble of individuals and groups, 'the career open to talents' and all such nineteenth-century falsehood, and stand for a common good which all men should serve.

Ordinary folk may be easily deceived; but they cannot be roused to enthusiasm, nor even to the support of government, if they know that their leaders or representatives are 'on the make' or merely agents for some gang which is on the make. How can confidence survive, if the Governments that profess to support the League include Ministers with shares in armaments firms? How can the League be supported, if not its opponents in Dictatorships but its advocates in Democracies allow the use of officials, even in diplomacy, for the promotion of the trade in arms which

derives gain from the expectation of war? Of what use is a system for maintaining the sanctity of treaties, if each State which is powerful enough is thought by its own citizens to be morally justified in repudiating them for its own advantage? A time may come when force can be used to supplement the authority of the League: but no such force can operate until at least the moral authority of the League system is admitted in practice by its own members. But the League itself is conceived by many to be merely an arrangement for preserving the opportunities for a scramble for wealth and power. We are supposed to wage war for the sake of peace. But the conception of peace itself is wholly inadequate. We are told to work for peace and find that what we are working for is not worth having or not, for the majority, worth the effort to maintain it. In fact, the peace we establish is only an opportunity for each man to take as much as he can and give as little; and the only common good which is conceived to be maintained by the State in peace is that of holding the ring while we fight, each for his own hand. It is assumed that each man will get what he deserves, if he uses his abilities chiefly for his own advantage; that each nation or group of men will get what it should, if each uses its own advantages chiefly for itself. Such a world no longer can attract the enthusiasm of the younger generation. If that is all we have to offer, they will turn to Communism and Fascism, because at least these claim to exact service to a common good. Crudely conceived and mistakenly pursued it may be; but it is not a gospel of selfishness nor a gospel of separatism and rivalry between all men. And the young will always prefer real fellowship, even in restricted company, to a wilderness of clever fellows all on the make.

What is dangerous in war and in Communism and Fascism is not what is evil in them, but what is good. And it is futile to oppose them by showing their defects, if we have not an alternative to what is good in them that is better than theirs. For our purpose here the dominant conception of peace must be worth as much enthusiasm and devotion as the ancient conception of war. To express this in more definite terms, we must believe and act as if we believed that the tramwayman is performing a service to the common good on the tram, as he would if he were a soldier in a trench. But we still treat a man as a hero if he wears a military uniform and we assume that the same man in any other dress must be merely looking after his own interests.

What is the common good for which we are working? For what should a professor deliver lectures and for what should the tramwayman take the fares? Is there any common good in peace, as definite as the 'defence' at which war is supposed to aim? If there is not, then the League will die of inanition and emotional anaemia. But the common good to be attained by peace can be stated. It is, first, the health and livelihood of all, in which each shares, if the other has it. It is my own life in common. It is the life of the community, in so far as it is shared by all in all its phases. Only if there is a general perception of the possibility of creating such a life will the future of peace and the moral authority of government be secure.

The moral authority of the League and of the States which compose it ultimately depends upon the enthusiasm for or at least the approval of the results of their operation in terms of the lives of ordinary folk. If peace is the means of justice, then it will last. If it is merely an opportunity for

preserving untroubled the existing division between the beneficiaries and the victims of the social system, it will collapse as the Roman system collapsed in the Dark Ages—not because of the attack of barbarians, but because the majority did not think it worth maintaining. The weakness of the League is due to the lack of moral enthusiasm and imaginativeness in those who profess to support it: no system for the maintenance of peace can be successful if peace is assumed to be a mere scramble for private gain and war continues to be believed to be the best instance of service for a common good. Mere opposition to the barbarism of dogmatic dictatorships, resting on force, is not enough. Moral authority must be reinforced in the State system of the Western World by the creation of a new belief in the common good.

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